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IDENTIFYING THE COMPONENTS OF CORPORATE GOVERNANCE IN GOVERNMENTAL ORGANIZATIONS BY FUZZY DELPHI METHOD

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ABSTRACT

Corporate governance in governmental organizations is one of modern monitoring methods to improve governmental auditing and sustainable development. This concept in the public sector is defined as a set of strategic practices and policies to improve internal controls, risk management, management effectiveness and etc. as well as to increase justice, transparency, accountability and respect for stakeholders' rights. Iran's economy is a governmental economy; therefore, corporate governance is essential in this sector. The purpose of this study was to identify the components of corporate governance in governmental organizations. This research was an applied study (descriptive-exploratory and qualitative-quantitative type) which was conducted during 2016 and 2017 in Iran. To do the study using Delphi and Fuzzy Delphi method, 20 people were selected from the assembly of experts, Iranian parliament (Islamic Consultative Assembly) and supreme audit court. Findings showed that the four main components of corporate governance in government include monitoring components (including 15 sub-components), managerial components (including 6 sub-components), organization's legal and technical components (including 8 sub-components) and ethical components (including 2 sub-components). It is suggested for Islamic parliament to approve corporate governance statute like other countries and supreme audit court as the monitoring arm of parliament to be responsible for its administration.

Keywords: Corporate Governance; Governmental Organizations; Government; Delphi; Fuzzy Delphi

INTRODUCTION

After World War II, governmental organizations turned into important tools for economic and social development. These institutions play a prominent role in the development process of many countries, especially the developing countries. On the one hand, persistent and continuous changes in the organizational environment and the conditions of activities, and on the other hand profound changes in the needs and demands of citizens led governmental institutions to produce modern management methods and upgrade governance and supervision systems in order to meet these needs and continue their own activities (Houzori et al., 2015, 20). One of the most important mechanisms of desirable governance and monitoring that has been devised to guide governmental organizations is corporate governance. Many studies have shown that corporate governance and its components improve accountability (Christensen et al, 2015, 134). For this reason, focusing on corporate governance and its components in various governments is increasingly growing. For example, Britain, the United States, Australia, etc. published corporate governance framework along with guidelines on how to apply its principles

and procedures in the public sector. All of this shows the importance of corporate governance in the government. The key to improve corporate governance in the government is to pay attention to its basic components. Components vary from country to country due to the high complexity of governments as well as the high diversity of the concept itself in the world (Barrett, 2002: 7). For example, the United States has paid a lot of attention to the role of government in its corporate governance law. It provided the corporate governance framework separately and introduced the synergy of economic activities, management system, risk management, internal controls, attention to stakeholders and monitoring as the key elements of this framework (Mitchell, 2008: 2001). The UK also emphasized on the role of risk management, parliamentary accountability and management team (Alexander and Maude, 2011: 13).

Corporate governance in each country is written based on the existing laws, regulations, structures, processes, cultures and systems (Ron et al, 1996: 10). The governmental structure of our country has a lot of complexities; the variety of executive agencies is high; there are many financial rules that, in addition to their plurality, have many complexities; the culture is different from that of other countries, and many different cases that all require their own corporate governance system. In Iran, the Islamic Consultative Assembly monitors the government and ratifies the necessary laws of the country. This indicates that the initiation of corporate governance in our country is dependent on the Islamic Consultative Assembly which is required to identify the components of corporate governance according to structural, political, social, cultural, legal, and economic conditions of governmental organizations. This is the main issue of the present study.

The importance of studying this issue arises from the fact that Iran's economy is a governmental economy, and each year, huge amounts of money are allocated to executive agencies. The investigations indicated an increase in the amount of funding for governmental agencies and institutions. Among the risks that public organizations have been faced are the possession of large volumes of economic resources, the possibility of not using the resources and facilities efficiently, the inefficiency and ineffectiveness in spending public funds and the failure to detect such cases by regulatory agencies such as supreme audit court. The control process is one of the most important events that each organization needs to ensure its survival and to know how to function and implement its programs (Houzori et al., 2015: 20). Corporate governance, as one of the most important control processes in the last century, aimed at improving public audit, can help regulatory institutions-such as supreme audit court- develop public economic activities and reduce financial problems. To achieve this goal, it is necessary to identify the corporate governance components which are appropriate to the indigenous conditions of the country.

LITERATURE REVIEW

In this section, the foreign and domestic studies related to the components of corporate governance are addressed. Ridhima and Balwinder (2017) mentioned risk reporting and risks facing the organization as the important factors for corporate governance. Julie et al. (2016) introduced internal audit, risk management, attention to performance auditing and environmental changes as key components of corporate governance. Erick and Nelson (2016) stated that compliance with the Corporate Governance Code would increase the value of the organization. Matei and Drumasu (2015) argued that creating logical connections in the management team, paying attention to the dimensions of matching, performance and



accountability, lawmaking, correct management of costs, considering ethical values, independent auditing, internal auditing, audit committee and focusing on employees' capabilities were the main components of corporate governance in the public sector. Nordberg (2014) introduced consideration of human motivation and management team as the key components of corporate governance. Molyadi et al. (2012) introduced the quality of services, the dimensions of matching and performance, transparency and satisfactory accountability as the main components of corporate governance. Ramage (2009) stated that attention to organizational training and management as well as environmental changes as key components of corporate governance. Mitchell (2008) also introduced internal controls, management system, accurate measurement, security and risk management, attention to the interests of all stakeholders and continuous monitoring as the key components of corporate governance.

Gholipour et al. (2016) argued that the way to achieve the principles of competitiveness and economic transparency is the principles of good corporate governance. These principles include intra and extra organizational factors. Extra-organizational factors are related to environmental conditions such as business conditions in the country, transparency of information flow and financial and economic policies of the country; and their change is beyond the control of the companies' board of directors. However, intra-organizational factors are at the disposal of board of directors and they relate to such topics as internal audit, risk management, capital structure, accountability to shareholders' equity, strategic leadership, composition of the board of directors, and stakeholders' management. They also stated that for corporate governance policies at the national level, both types of factors require new rules and regulations. Gholipour and Naseri (2016) stated that the principles of good corporate governance would improve Iran's economic policies for privatization. Houzori et al., (2015) introduced the attention to the human resources and the public accounting system as well as the transparency of laws as the desirable components of control. Hassas Yeganeh and Salimi (2011) stated that the dimensions of transparency, the effectiveness of the board of directors, shareholders' rights, and ownership effects, respectively, have the greatest impact on corporate governance rankings. Hassas Yeganeh and Almasi (2007) stated that the existence of political motives, the lack of accountability and the complexity of stakeholders are among the problems of corporate governance in the government. Ensuring an efficient legal structure in relation to public companies, government ownership function, the equitable treatment of shareholders, relations with stakeholders, disclosure of information and transparency, and responsibilities of the board of directors in public companies were introduced as the main components of corporate governance. Hassas Yeganeh (2006) stated that although the corporate governance system of each country is formed based on its laws, regulations, structures, processes, and cultures, the goal is to achieve accountability, transparency, justice and respect for stakeholders' right. According to literature review, the present study seeks to identify the appropriate components of corporate governance in Iran. Therefore, the main feature which differentiates this study from other studies is identifying new indigenous components of corporate governance in defined governmental organizations at Article 5 of Civil Service Management Act.



THEORETICAL BACKGROUND

This section deals with underlying theories of corporate governance, its concept in governmental agencies, and finally to examples of identified components.

Underlying theories of Corporate Governance

Several definitions have been given to the term corporate governance. One self-inclusive definition is that corporate governance is considered as laws, regulations, structures, processes, cultures and systems that achieve the goals of accountability, transparency, justice and respect for the rights of stakeholders (Hassas Yeganeh, 2006: 34). The key to achieve corporate governance goals is to respect for the rights of stakeholders that include shareholders, society, future generations and the environment (Mashayekhi, 2006: 13). Two main goals of corporate governance are: (i) reducing the risk of organizations through the upgrade of transparency and accountability; and (ii) improving the long-term effectiveness of the organization through the prevention of arbitrary and non-accountable management. Legislative authorities consider the relevant system as a useful tool for the quality of financial information disclosed by organizations (Heydari et al., 2005: 135).

The underlying theories of corporate governance development have long existed. The relevant theories have been taken from a variety of domains such as financial management, economics, accounting, law, management, and organizational behavior. Corporate governance development is a global event, which is affected by differences in laws, culture, ownership and structure. Hence, corporate governance varies not only from one country to another, but also from one organization to other organization as well as from one time to other time.

The most important underlying theories of corporate governance include agency theory, stewardship theory, stakeholder theory, transaction cost economics theory, class hegemony theory and managerial hegemony theory. In each of these theories, the following factors lead to a corporate governance plan:

- Agency theory: the agency problems caused by conflicts of interests between manager and owner.
- Stewardship theory: the problems caused by asset management in line with the owner's interests.
- Stakeholder theory: the problems caused by conflict of interests between manager and other stakeholders.
- Transaction cost economics theory: the possibility of managers' opportunism.
- Class hegemony theory: managers as the chief executive officers (CEO) arrange other management classes according to their own conditions
- Managerial hegemony theory: the chief executive officers eliminate the influence of managers by their own information and mastery (Mallin, 2007: 1-7).

Corporate governance in the public sector

The government is defined in two broad and narrow senses. In the broad sense, the government includes all those who live in a society. While in the narrow definition, the government is referred as to those who govern or manage other people of the society. In this study, the narrow sense is considered, thus the government refers to those institutions or agencies that have legitimate power to apply in a specific realm. Through an organized administration, the government has the monopoly power to set order within its own territory by the help of relevant organizations (Lesani, 2016: 88). In our country, these organizations are mainly ministries, governmental agencies, public companies and non-public institutions that need to be coordinated with each other in order to achieve government goals. For a long time, governments



have sought to explore the tools for creating integrated policies. The complexity of contemporary social issues has created many challenges for the coordination of public policies. Many public policy-making areas such as fight against addiction, public health, sustainable development as well as many areas of regional socio-economic development require the design and implementation of sophisticated public intervention strategies that engage different levels of governmental and organizational management in different sectors of the society. Undoubtedly, the coordination and integrity are among the important issues in the public administration and public policy-making (Mansouri and Fazeli, 2013: 6).

One of the new approaches which have been proposed to improve the public administration is corporate governance. Although corporate governance is related to all theories in the public sector, it is more based on stakeholder theory and stewardship theory. The reason is that the government is responsible for managing its assets against all people. The Australian Court of Audit has defined corporate governance in the public sector as “a set of responsibilities and activities, policies and procedures that are done by managers to secure a strategic direction, ensure the achievement of goals, manage risk and make responsible use of resources along with accountability” (Watterston, 2014: 5).

However, corporate governance in public sector is very different from the corporate governance in the private sector. Their differences are in the areas of goals, tasks, type of management, accounting methods, internal controls and type of accountability (Mulyadi et al, 2012: 27-28). Despite the similarities in corporate governance goals in public and private sectors, the existing differences cause the formation of different components for each of them.

Corporate governance components in selected countries and global professional associations

In continuation, the corporate governance components in the governmental agencies of England, the United States, Australia, the Netherlands, South Africa, and Hank Kong are presented:

- *England*

In England, corporate governance in governmental agencies has six main components:

1. Parliamentary accountability (accountability to parliament),
2. leadership of the organization as the main role of board,
3. The right composition of board,
4. Board effectiveness,
5. Risk management, and
6. A rule-based relationship with arm's length bodies

Each of these components has underlying principles, which will be described below. In addition, these principles require policies and requirements that should be written in line with the conditions of each organization.

1. Parliamentary Accountability: This section refers to the importance of accountability to the Parliament, which is addressed in the following:

-The chief executive officer in charge of the organization is responsible and answerable to Parliament for all affairs on which the administration of that organization depends. His or her accountability is for all the policies, decisions and actions of the organization, including its arm's length bodies. For example, this principle can include the following requirements and policies:

- The chief executive officer in organization may delegate the responsibility for some of organizational work to his or her junior managers, but he or she retains overall personal responsibility and accountability to parliament.



- In all organizations including non-ministerial or ministerial, an agreement should be made as to which manager should answer for the organization's affairs in Parliament.
- The chief executive officer in an organization should be accountable and answerable to all of the speeches of their spokesmen in the parliament.

-The accounting officer is personally responsible and accountable to Parliament for the quality of management in the organization, including the use of public money (money belonging to all people) and assets. This principle can include the following requirements and policies:

- The accounting officer is responsible for the proper management of public money in the organization.
- The accounting officer should spend the granted resources for the goals intended by parliament. He or she is responsible and accountable to parliament's treasurers and auditors.
- Although the accounting officer must delegate accounting affairs among officials in the organization, but he or she retains overall personal responsibility and accountability to parliament for:
 - Its own and other members' propriety and regularity;
 - Prudent and economical administration;
 - Avoidance of waste and extravagance;
 - Ensuring value for organization resources especially its money;
 - Efficient and effective use of available resources by considering economic cost (attention to performance audit);
 - The organization, staffing and management of the department;
 - The accounting officers remain accountable to Parliament for all the affairs and decisions made under their powers (even after retirement);
 - The roadmap for the accounting matters of the organization must be approved by the lead minister of the parliament;
 - The accounting officer can delegate the management of each individual accounts to one person, but he or she retains overall personal responsibility and accountability to parliament (Alexander and Maude, 2011: 13).

2-Leadership of the organization as the main role of board

Each organization should have an effective board, which guide the organization efficiently. The board should operate properly, concentrating on strategic and operational issues which affect the organization's performance as well as scrutinizing organizational policies and performance, with a view to the long-term health and success of the organization. Strategic transparency, cost benefit analysis, ensuring sound financial management, scrutinizing the proper allocation human resources to different sectors, ensuring existing controls for risk management, using intelligent people and the appropriate intelligence systems and etc. are the basic areas of this principle (Ibid: 15).

3-The right composition of the board

The board must have sufficient skills and experience to carry out their responsibilities. Members should be balanced, diverse and manageable in size. All the specialties required by each organization must be present in the management team and the roles and responsibilities of all



management members must be clearly defined within the operational framework of the organization (Ibid: 17).

4-Board effectiveness

The board should ensure that arrangements are in place to enable them to exercise their responsibilities effectively, including:

- The need for formal procedures in order to appoint new board members, tenure and succession planning;
- A policy that allow sufficient time for the board to discharge their collective responsibilities effectively;
- Induction on joining the board, supplemented by regular updates to keep board members' skills and knowledge up-to-date;
- Provision of information timely in a form and quality that enables the board to discharge its duties effectively;
- A mechanism for learning from past successes and experiences;
- A formal and rigorous annual evaluation of the board's performance and relevant members;
- A dedicated secretariat with appropriate skills and experience (Ibid: 21)

5-Risk management

The board should ensure that there are effective arrangements for governance, risk management and internal control in the organization. Scrutiny of key risks is a matter for the board, and the groups like risk committee, audit committee, internal auditor and key arm's length bodies can be considered as a sponsor team. The board should present the organization's governance statement along with its resource accounts to the parliament each year (Ibid: 25).

6-Arm's Length Bodies

If the organization is controlled or conducted with and through other organizations that affect its decisions and policies, the arrangements and relationships between arm's length bodies and the board should be put in place to safeguard propriety and regularity (Ibid: 27).

- **United States of America**

In this country, the economic content of governmental activities gets more attention and transparency and accountability are two main components of corporate governance that can be realized with the following:

- **Accountability of the board:** The lead officer in an organization is responsible for the accuracy and integrity of financial reporting, internal controls, performance reporting, compliance with laws and regulations, and the establishment of a proper professional conduct.
- **Integrity and eligibility of senior managers:** The integrity and eligibility of managers are essential factors in the success of any organization.
- **Audit Committee:** A qualified and committed audit committee is required to improve the outcomes of any organization. The audit committee should consider the interests of all stakeholders.
- **The role of the board:** Creating a team of powerful boards tailored to the needs of each organization is essential to the success of any department.



- **Cooperation between the board team and auditors:** the board and auditors should try for the interests of all stakeholders by considering ethical values
- **Accurate financial reporting:** Financial reporting should be consistent with appropriate accounting practices, financial rules, and disclosure of the points required by the users.
- **Privatization:** Considering that this sector in recent decades experienced a significant growth compared to other countries, it is necessary to move towards privatization.
- **Prior Financial Events:** Due to the complexities of financial events in each organization, the fraud and financial corruptions should be noticed tailored to any organization. In addition, previous financial failures should be explicitly investigated so that not to be repeated in the future.
- **The economic content of organization activities:** Each organization should present a report on the benefits of its activities in the country. In this regard, key national indicators and key performance indicators should be taken into consideration. Key national indicators are a set of measurable metrics such as employment that show government performance over a period of time to determine which segment of the economy should be considered. Key performance indicators are a set of measurable metrics that measure the performance of an organization over time. These indicators are used to measure the progress of the organization in achieving strategic and operational goals and comparing them with other organizations as well as other periods (United States General Accounting Office, 2002: 4-8).
- **Australia**
The Australian National Audit Office (ANAO) has introduced five main components for corporate governance:
 - **leadership:** the chief executive officer's role is essential in the organization, in a way that the organizational effectiveness depends on its working under the leadership of the CEO. The proper leadership of whole organization is a matter for CEO.
 - **Management environment:** the environment in which managers of an organization do their own activities is very important. In such environment, the objectives should be clear, appropriate ethical framework should be set, roles and responsibilities should be defined, sound business planning should be implemented, and finally business risk should be assessed accurately.
 - **Risk management:** risk management is a process of identifying, analyzing and mitigating risks that can impact negatively on achieving the objectives by an organization. This is done through creating proper control mechanisms and developing fraud and risk management plans.
 - **Monitoring:** it provides a review of control systems continuously in order to ensure the effectiveness of pursuing the objectives of organization.
 - **Accountability:** the CEO of any organization is responsible and accountable to the Parliament. Accountability is achieved through effective internal and external reporting which should indicate the conformance and performance dimensions of corporate governance against the objectives. The conformance dimension indicates compliance with legal and regulatory requirements, approved standards and community



expectations, while performance dimension is an expression of overall performance and the presentation of organization results and feedback (Ryan and Ng, 2000: 15).

- *Netherlands*
- **General knowledge of board:** In this regard, board of different levels should be familiar with the goals, tools, implementation structures and activities of the organization.
- **Professional knowledge of board:** The management deals with familiarity with the rules, the responsibilities, the proper division of tasks and the way to achieve the operational objectives of the organization.
- **Controls:** it deals with creating robust internal controls, quality management system, adequate monitoring system for all activities and a strong documentation system for administrative and financial internal control activities.
- **Supervision system:** all organizations should be supervised by an independent organization. In this regard, the organization is required to provide the reports required by the supervisory organization.
- **Accountability:** The organization must be accountable for the components of the corporate governance triangle, including knowledge of management, control and supervision, and provide adequate reporting on the level of effectiveness, efficiency and cost-effectiveness of its operations. Assessment of Corporate governance: Corporate governance system should be assessed by an independent organization (Timmers, 2000: 15-19).
- *South Africa*

In South Africa, there are many components for corporate governance in governmental agencies, such as a robust management team with the presence of non-executive managers, attention to performance evaluation, the existence of audit committee, the improvement of the accounting profession, the precise responsibilities, accountability and reporting on existing plans and budget of the organization, appropriate accounting and auditing procedures, appropriate monitoring, modeling, presentation of work progress report, presentation of operational and financial reports, presence of internal audit, effective risk management, independent audit, attention to economic, social and cultural issues and proper Code of Conduct for each organization (Department of Public Enterprises, 2002: 9-54).

- *Hong Kong*
- **Standards of behavior:** this includes a consideration of ethical values and rule of conduct. Ethical conduct involves the consideration of employees' competencies, the creation of ethical standards with effective leadership, integrity, honesty and objectivity, transparency, accountability and benevolence for the stakeholders; and the rule of conduct includes business Professional qualifications.
- **Appropriate organizational structures and processes:** it includes monitoring accountability, accountability for public monies (funds belonging to all people in society), communication with stakeholders, identification of the roles and responsibilities of the management team, and consideration of human resource management and staff training.



- **Risk management, supervision and control:** this includes internal controls, risk management, internal audit, audit committee, independent auditing, budgeting and financial management of the organization.
- **Accountability, reporting and disclosure:** internal reporting, external reporting, use of appropriate accounting policies and standards, and performance measurement with appropriate criteria (Roger and Edward, 2004: 8).

Professional associations (Joint Statement by the UK Chartered Institute of Public Finance and Accountancy (CIPFA), and International Federation of Accountants (IFAC))

Respect to the benefits of all stakeholders: performing all activities in the public interest, require the following:

1. Strong commitment to integrity, ethical values and the role of laws;
2. Transparency and commitment to all stakeholders;
3. Definition of results in the form of economic, social, and environmental benefits;
4. Consideration of key national indicators and key performance indicators;
5. Determination of the activities which are required to achieve the desired results;
6. Expansion of organization's capacity for the suitable governance of organization and its sub-sectors;
7. Risk management and performance with robust internal controls and financial management for each organization;
8. Creation of procedures for transparency and reporting to achieve accountability objective (CIPFA and IFAC, 2013: 11).

Organization for Economic Co-operation and Development (OECD)

According to Organization for Economic Co-operation and Development (2005), ensuring the basis for an effective legal structure regarding public corporations, government ownership function, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency and the responsibilities of the board responsibilities are as the most important components of corporate governance in the public sector (Gholipour et al., 2016, 114 115).

RESEARCH METHODOLOGY

This research is an exploratory study since it seeks to identify corporate governance components in executive organizations. To achieve this goal, two questions are proposed:

1. What are the components of corporate governance according to experts?
2. Which component of corporate governance is more accepted by experts?

To answer the first and second questions, the Delphi method and the fuzzy Delphi method were used, respectively. Thus, this study as a quantitative-qualitative research was carried out in two steps. To increase the reliability of responses, respondents were selected from people with a career experience more than 15 years and the education level of master's degree in economics, management and accounting. implementing Delphi method was the first step in which the initial identification of corporate governance components was carried out by studying specialized texts and then exchanging the identified components among 20 people of experts in the Islamic Consultative Assembly, the Government and the Court of Audit. The second step was the implementation of the fuzzy Delphi method, which was carried out by obtaining numerical comments to quantify and evaluate the agreement on each of the identified components in the



Delphi stage, and surveying or asking the opinions of previous 20 experts. At this stage, the most important components were identified and the degree of agreement on them was also measured. The procedure of Delphi method as a qualitative tool is described in Figure 1:

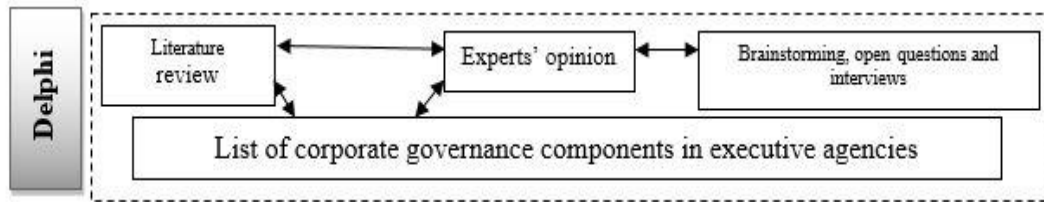


Figure 1: The description of Delphi (Joshi et al., 2011: 10172)

The procedure of Fuzzy Delphi method as a qualitative-quantitative tool is described in Figure

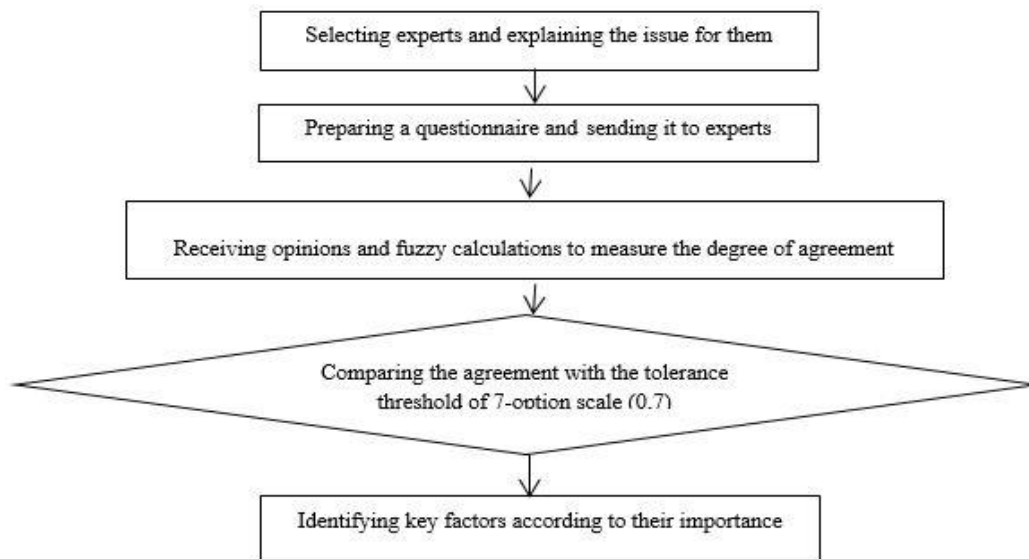


Figure 2: Fuzzy Delphi Model (Habibi et al, 2015: 133)

FINDINGS

First question: What are the components of corporate governance according to experts? In two phases of the Delphi, by surveying the experts and exchanging the identified components among them, the components of corporate governance were divided into four main categories of monitoring, managerial, technical and legal and ethical with the sub-components remarked in Table 1.

Table 1: the components of corporate governance in Delphi method

Main Components	Sub-components	Description
Monitoring component	Parliamentary accountability	The accountability of Chief Executive Officer and accounting officer to the parliament and the Supreme Audit Court, respectively (enforcement of laws).

Monitoring the economic content of organization activities	Monitoring the report of executive agencies and preparing Economic reporting to the parliament. In this regard, the key national indicators (government performance standards) and the key performance indicators (the agency performance standards) should be taken into account. Also, competing with the world economy must be considered in this regard.
Collective monitoring	The use of public capacities to reduce corruption by appropriate incentive and protection systems
The formation of the monitoring council for monitoring agencies	Monitoring Council of executive agencies to perform tasks such as macro audit plan, audit risk and Collaborative audit... in order to achieve the goals of good governance
Internal controls	Creating a proper internal control code for each executive agency along with robust enforcement
Risk management	Avoiding the risks facing the organization by creating a risk management committee
The audit committee or its equivalent	In recent years, the changes created in developed countries have increased auditor independence from management. One of these changes is to use audit committees in the organizations. The purpose of the Audit Committee is to help board to perform and improve their own regulatory responsibility in order to ensure the effectiveness of the governance processes, risk management and internal controls, the health of financial reporting, the effectiveness of internal audit, the independence of the independent auditor and the effectiveness of the independent audit, and compliance with the laws, regulations and requirements of each executive agency.
Establishment of committees required for each executive agency	Each executive agency, in accordance with its type of activities, requires committees such as committee of wages and salaries, committee of strategy, the committee for the interpretation of laws to increase the transparency of laws, the committee of laws' compliance with the economic activities, the social responsibility committee, the committee of communication with stakeholders, the appointment committee, the intellectual capital assessment committee, the committee on costs of opportunity, the committee on security and conflict, the cultural committee, and other matters related to the external and internal conditions of the organization..
Continuous monitoring	Continuous monitoring of all activities of the organization by the monitoring authorities or experts.
Prior financial events	Due to the complexity of financial events in any organization, the Court of Audit should accurately scrutinize financial frauds and corruptions as well as prior financial failures to prevent their occurrence in the future.
Performance audit or its equivalent	The Court of audit, on the side of the Islamic Consultative Assembly, can examine the effectiveness, efficiency and cost-effectiveness of government activities. The reason for this is the complete independence of the Islamic Consultative Assembly from the government.
Internal audit	The mission of the internal audit is to provide independent and impartial consulting services in order to add value and improve the operations of the organization. through a systematic approach, internal audit helps the organization to



		assess and improve the effectiveness of governance processes, risk management and control in order to achieve its goals.
	Assessment of corporate governance components	Finally, the overall system of corporate governance is assessed by the Court of Audit acting in behalf of the Islamic Consultative Assembly on the basis of a checklist congruous with the Corporate Governance Code and its components.
	Quality control system	It is necessary to create a quality control system in order to ensure the integrity of activities in executive agencies along with their ranking.
	Monitoring monetary and financial policies	It is imperative that the macro-monetary and financial policies of the government to be investigated in order to prevent future losses in accordance with the environmental conditions.
managerial component	The right composition of board	The existence of all the specialties required for each organization's activities in accordance with its structure and objectives. The relevant team must have the skills and attitudes appropriate to the community.
	Integrity and eligibility of senior managers	Observing ethics and professional care by managers and ensuring the general knowledge of managers in the field of activity (familiarity with the goals, tools, executive structures and activities of the organization) as well as specialized knowledge of managers in the field of activity (familiarity with the rules, subsets, the proper division of tasks and the way to achieve the operational objectives of the organization)
	Board effectiveness	Setting the condition to perform management responsibilities effectively by considering professional and ethical principles of laws. In this regard, individual and group motivation and abilities are required, and each alone is harmful to the interests of society.
	The continuous leadership and stewardship of the organization	The ongoing leadership and stewardship of the organization as the main role of the management team includes the creation of strategic transparency, cost benefit analysis, ensuring sound financial management, scrutinizing the proper allocation human resources to different sectors, ensuring existing controls for risk management, using intelligent people and the appropriate intelligence systems and etc.
	Rule-based relationship with arm's length bodies	If the executive agency is controlled or conducted with and through other agencies that affect its decisions and policies, the arrangements and relationships between arm's length bodies and the board should be put in place to safeguard propriety and regularity.
	Performance evaluation system	It is essential that managers to be evaluated continuously and to be rewarded based on their performance.
Organization's technical and legal component	Technical and legal financial reporting	Financial reporting should be in accordance with accounting procedures, financial rules and disclosure of required points of the users. This is achieved if reporting is based on accounting standards of public sector and financial rules.
	Raising public awareness	Creating an accountable and informant body on financial rules along with the use of media capacities
	Preparation of economic Reports	Each organization shall present reports on the benefits resulted from its own activities in the country.



	Rule of conduct	Considering the professional competence and maintaining professional competence of all employees.
	Privatization	Given that a high proportion of our economy is governmental, organizations should try in the privatization of those organizations that don't impair the public interest.
	The use of cost management techniques	Use of new management accounting tools to reduce government spending, reduce threats, and take advantage of opportunities. For example, operational budgeting is a planning tool for cost management. The Balanced Scorecard is a tool to evaluate the performance of organizations that its use along with other cost management tools, improves the activities of the government and related organizations.
	Creating macro and micro transparency systems	Determining the activities and responsibilities of each major executive agency at the macro level as well as employees in a transparent manner in order to better monitor and eliminate parallel work.
	Legal justice	Setting equal laws for everyone, like the same rules for the private and public sector in similar activities
Ethical components	Ethical values	Considering employee competencies, creating ethical standards along with effective governance, integration, self-assessment, honesty and objectivity, transparency and accountability, benevolence, and justice to respect the benefit of all stakeholders.
	The interaction far from collusion between board and auditors	The efforts of internal and external managers and auditors by taking into account professional ethics to increase value for the stakeholders.

Source: Research Findings

Second question: Which component of corporate governance is more accepted by experts?

In this stage, at first the experts examined the validity of components. Then, the importance of each item in the framework of seven-point fuzzy Delphi noticed, till finally the consensus on each component to be specified. The triangular fuzzy scale for Seven point Likert scale on the importance of indexes for fuzzy numbers is as Table 2:

Table 2: Triangular fuzzy numbers for seven-point Likert scale

Extremely important			Very important			Important			Moderately Important			Unimportant			Very Unimportant			Extremely Unimportant		
1	1	0.9	1	0.9	0.75	0.9	0.75	0.5	0.75	0.5	0.3	0.5	0.3	0.1	0.3	0.1	0	0.1	0	0

Source: (Habibi et al, 2015: 136)

Firstly, the experts' opinions in the framework of fuzzy numbers are specified as Table 3:

Table 3: Quantification of experts' opinions in the framework of fuzzy numbers

Main component	Sub-component	The opinion of Expert 1			The opinion of Expert N....			The opinion of Expert 20		
		L	M	N	L	M	N	L	M	N
Monitoring component	Parliamentary accountability	1	0.9	0.75	...	...	...	1	0.9	0.75
	Monitoring the economic content of organization activities	1	1	0.9	...	...	...	1	1	0.9
	Collective monitoring	1	1	0.9	...	...	...	1	1	0.9

	setting up a regulatory council for executive agencies	1	1	0.9	...	...	...	1	0.9	0.75
	Internal controls	1	1	0.9	...	...	...	1	1	0.9
	Risk management	1	1	0.9	...	...	...	1	1	0.9
	The audit committee or its equivalent	1	0.9	0.75	...	...	...	1	0.9	0.75
	Establishment of committees required for each executive agency	1	1	0.9	...	...	...	1	1	0.9
	Continuous monitoring	1	1	0.9	...	...	...	1	1	0.9
	Prior financial events	1	0.9	0.75	...	...	...	1	0.9	0.75
	Performance audit	1	1	0.9	...	...	...	1	1	0.9
	Internal audit or its equivalent	1	1	0.9	...	...	...	1	1	0.9
	Assessing compliance with corporate governance components	1	1	0.9	...	...	...	1	1	0.9
	Quality control system	1	1	0.9	...	...	...	1	1	0.9
	Monitoring macroeconomic and financial policies	1	1	0.9	...	...	...	1	0.9	0.75
Managerial component	The right composition of board	1	1	0.9	...	...	...	1	1	0.9
	Integrity and eligibility of senior managers	1	1	0.9	...	...	...	1	1	0.9
	Management Effectiveness	1	1	0.9	...	...	...	1	1	0.9
	The continuous leadership and stewardship of the organization	1	1	0.9	...	...	...	1	1	0.9
	Rule-based relationship with arm's length bodies	1	1	0.9	...	...	...	1	0.9	0.75
	Performance evaluation system	1	1	0.9	...	...	...	1	1	0.9
Organization's technical and legal component	Technical and legal financial reporting	1	1	0.9	...	...	...	1	1	0.9
	Raising public awareness	1	1	0.9	...	...	...	1	1	0.9
	Preparation of economic Reports	1	1	0.9	...	...	...	1	1	0.9
	Rule of conduct	1	0.9	0.75	...	...	...	1	0.9	0.75
	Privatization	1	1	0.9	...	...	...	1	0.9	0.75
	The use of cost management techniques	1	1	0.9	...	...	...	1	1	0.9
	Creating macro and micro transparency systems	1	1	0.9	...	...	...	1	1	0.9
Ethical component	Legal justice	1	1	0.9	...	...	...	1	1	0.9
	Ethical values	1	1	0.9	...	...	...	1	1	0.9
	The interaction far from collusion between management team and auditors	1	1	0.9	...	...	...	1	1	0.9

Source: Research Findings

Then, fuzzy computations are done, and the accepted components are specified as Table 4:

Table 4: fuzzy computations of experts' opinions

Main Component	Sub-components	Fuzzy average			Final Average	If the final average > 0.7 = Acceptance	Rating
		$\Sigma L/20$	$\Sigma M/20$	$\Sigma N/20$	$(\Sigma L + \Sigma M + \Sigma N) / 3$		
Monitoring component	Parliamentary accountability	0.98	0.88	0.72	0.86	acceptance	4
	Monitoring the economic content of	1	0.96	0.84	0.93	acceptance	2



	organization activities						
	Collective monitoring	1	0.96	0.84	0.93	acceptance	2
	Setting up a regulatory council for executive agencies	1	0.93	0.79	0.90	acceptance	3
	Internal Control	1	0.98	0.87	0.95	acceptance	1
	Risk management	1	0.98	0.87	0.95	acceptance	1
	The audit committee or its equivalent	0.95	0.88	0.75	0.86	acceptance	4
	Establishment of committees required for each executive agency	1	0.96	0.84	0.93	acceptance	2
	Continuous monitoring	1	0.98	0.87	0.95	acceptance	1
	Prior financial events	0.95	0.88	0.75	0.86	acceptance	4
	Performance audit	1	0.98	0.87	0.95	acceptance	1
	Internal audit or its equivalent	1	0.98	0.87	0.95	acceptance	1
	Assessing compliance with corporate governance components	1	0.96	0.84	0.93	acceptance	2
	Quality control system	1	0.98	0.87	0.95	acceptance	1
	Monitoring macroeconomic and financial policies	0.98	0.93	0.79	0.90	acceptance	3
Managerial component	The right composition of board	1	0.98	0.87	0.95	acceptance	1
	Integrity and eligibility of senior managers	1	0.98	0.87	0.95	acceptance	1
	Board effectiveness	1	0.98	0.87	0.95	acceptance	1
	The continuous leadership and stewardship of the organization	1	0.96	0.84	0.93	acceptance	2
	Rule-based relationship with arm's length bodies	0.98	0.93	0.79	0.90	acceptance	3
	Performance evaluation system	1	0.96	0.84	0.93	acceptance	2
Organization's technical and legal components	Technical and legal financial reporting	1	0.98	0.87	0.95	acceptance	1
	Raising public awareness	1	0.98	0.87	0.95	acceptance	1
	Preparation of economic Reports	1	0.96	0.84	0.93	acceptance	2
	Rule of conduct	0.98	0.88	0.72	0.86	acceptance	4
	Privatization	0.95	0.85	0.7	0.83	acceptance	5



	The use of cost management techniques	1	0.98	0.87	0.95	acceptance	1
	Creating macro and micro transparency systems	1	0.98	0.87	0.95	acceptance	1
	Legal justice	1	0.98	0.87	0.95	acceptance	1
Ethical component	Ethical values	1	0.98	0.87	0.95	acceptance	1
	The interaction far from collusion between board and auditors	1	0.98	0.87	0.95	acceptance	1

Source: Research Findings

As Table 4 shows all cases stated above are accepted. Qualitative and explanatory issues ultimately lead to the presentation of research conceptual model as Table 5:

Table 5: The research conceptual model

Components of corporate governance in the executive agencies				
Monitoring Component	Managerial Component	Organization's Technical and legal Components	Ethical Component	
Internal Control	The right composition of board	Technical and legal financial reporting	Ethical values	
Risk management		Raising public awareness		
Continuous monitoring		The use of cost management techniques		
Performance audit	Integrity and eligibility of senior managers	Creating macro and micro transparency systems		
Internal audit or its equivalent		Legal justice		
Quality control system	Board Effectiveness	Preparation of economic Reports	The interaction far from collusion between board and auditors	
Monitoring the economic content of organization activities		The continuous leadership and stewardship of the organization		Rule of conduct
Collective monitoring				Rule-based relationship with arm's length bodies
Establishment of committees required for each executive agency		Performance evaluation system		Privatization
Assessing compliance with corporate governance components	Rule-based relationship with arm's length bodies			
Setting up a regulatory council for executive agencies				
Monitoring macroeconomic and financial policies				
Parliamentary accountability				
The audit committee or its equivalent				
Prior financial events				

Source: Research Findings



DISCUSSION AND CONCLUSION

Corporate governance plays a crucial role in the responsible use of limited resources of the country. In the last century, corporate governance in governmental agencies has been turned into one of the most modern methods to improve public policy and discipline in affairs. In Iran, corporate governance in the public sector is more important than the private sector, since 70%

of Iran's economy is governmental. Also, the executive agencies of public sector have very complex processes in their various dimensions, which require corporate governance as a set of strategic methods and policies to increase equity, transparency, accountability and respect for stakeholders' rights. Iran's economy is a governmental economy; thus, the implementation of corporate governance code in this sector based on indigenous components of executive agencies is essential. Therefore, given the importance of corporate governance in the governance system and formulation of corporate governance code in most countries, identifying the components of corporate governance components in governmental or public organizations is a matter of urgency that has been studied in this study.

The findings indicated that the four main components of corporate governance in the government include regulatory component, managerial component, organization's technical and legal component, and ethical component. Each main component included sub-components whose order of importance was also specified.

In the regulatory component of corporate governance, the sub-components of "internal controls, risk management, continuous monitoring, performance audit, internal audit or its equivalent, quality control system, monitoring the economic content of organization activities, collective monitoring, establishment of committees required for each executive agency, assessing compliance with corporate governance components, setting up a monitoring council for monitoring agencies, monitoring macroeconomic and financial policies, parliamentary accountability, audit committee or its equivalent, and prior financial events" were identified in the order of their importance.

In the managerial component of corporate governance, the sub-components of "the right composition of board, integrity and eligibility of senior managers, board effectiveness, continuous leadership and stewardship of the organization, performance evaluation system and rule-based relationship with arm's length bodies" were identified in the order of their importance.

In organization's technical and legal component of corporate governance, the sub-components of "technical and legal financial reporting, raising public awareness, using cost management techniques, creating micro and micro transparency systems, legal justice, preparing economic reports, rule of conduct, and privatization" were identified in the order of importance.

In the ethical component of corporate governance, the sub-components of "ethical values and interaction away from collusion between board and auditors" were identified. As fuzzy computations indicated there was no significant difference between the components in terms of their importance and all of the identified components were critical for the implementation of corporate governance in the government.

The identified components were consistent with some of the corporate governance components identified in the literature as well as the components adopted in the countries like England, the Netherlands, the United States, Australia, Hong Kong and South Africa. The consistency with the corporate governance components of Dutch, British, and US was more evident.

Given that that it is difficult to implement some of these components due to current laws and conditions of the country, it is recommended to the Islamic Consultative Assembly to initially formulate and approve a corporate governance code with more detailed components by the help of the Islamic Consultative Assembly Research Centers and the study Center of court of audit, as well as other executive and regulatory agencies, and ultimately authorizes the Court of Audit to



monitor its correct implementation in the country. Future researchers are also suggested to do studies on:

- ✓ Identifying the components of corporate governance with different research methods in order to formulate a proper policy for government promotion and economic development of the country.
- ✓ Specifying corporate governance constraints in the country according to existing rules.
- ✓ Identifying the infrastructures required for the use of corporate governance components in the government.
- ✓ The details of the identified components are different in different executive agencies. For example, a management team is different in various public companies and ministries or governmental institutions. This topic will cause differences in the codes of these agencies. Therefore, not only the issues presented in this study, but also the components of each executive agency should be identified and presented in a separate and detailed manner in accordance with Article 5 of Services Management Act

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