



GOVERNMENT FINANCIAL CONTROL AND ITS IMPACT ON CHECKING THE BUDGET ITEMS: THE IRAQI FINANCIAL BUDGET AS A MODEL

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Article history:	Abstract:
<p>Received: 18th October 2022 Accepted: 18th November 2022 Published: 28th December 2022</p>	<p>The research aims to shed light on the nature of government financial control and its relationship to auditing and evaluating balancing items in the Iraqi environment. As well as shedding light on the most important observations in balancing items in the Iraqi environment, which were discovered through government financial control. It was based on a sound scientific and practical basis, and the most important recommendations were reached, resorting to the application of the contractual budget in the Iraqi environment, in addition to balancing the items, as it helps in providing Radical solutions to many problems facing government departments, in particular the elimination of government red tape, poor performance and low quality of services provided to citizens, through the conclusion of service contracts in the operational side of the budget and the reduction of financial and administrative corruption in the implementation of budget items in the Iraqi environment.</p>

Keywords: government financial control, general budget, items budget.

INTRODUCTION

The budget items in the Iraqi environment are distinguished by focusing on the element of control over public spending by making sure that the exchange operations have taken place in accordance with the allocations included in the state budget law. And ensure that the allocations contained in the General Budget Law are not exceeded, evaluate the government's achievements, and indicate the extent to which it achieves its objectives, as government financial control refers to those tools and techniques approved by the concerned authorities to control public money wherever it is, and the means to improve the methods of estimation and forecasting and reduce error in preparing the state budget And to avoid future notification. In addition, it is a tool for evaluation and monitoring of performance and standing on the degree of efficiency and effectiveness in the government sector, especially with regard to public money. In light of this, the research included four axes (Research methodology, the theoretical framework of government financial control and its relationship to auditing and evaluating the budget of items, the

practical side, the impact of government financial control in auditing and evaluating the budget of items, the fourth topic, the conclusion).

THE FIRST AXIS RESEARCH METHODOLOGY

Research problem: The research problem is embodied in light of the following questions:

-Is there a role for government financial control (internal and external) in rationalizing government financial spending for the executive authority represented by all government institutions?

- Is there a role for government financial control (internal and external) in achieving the goals and objectives of all government institutions through the annual financial budget?

- Is there an effect of government financial control (internal and external) on determining the size of financial excesses in the annual financial budget allocations?

- Is there a role for government financial oversight (internal and external) in diagnosing imbalances and weaknesses in balancing items used in the Iraqi environment?



Research objectives: The research aims at the following:

- Shedding light on the nature of governmental financial control and its relationship to auditing the traditional budget (balancing items).
- Highlighting the most important observations in balancing items in the Iraqi environment discovered through government financial control.

The importance of the research: The research derives its importance from the importance of government financial control and the effective role it provides in diagnosing observations, clarifications, and reservations in traditional budget allocations (balancing items in the Iraqi environment).

Research hypothesis: The research is based on a hypothesis that: - The government financial control has an effective role in diagnosing observations, clarifications and reservations in traditional budget allocations (balancing items in the Iraqi environment).

Research method: The inductive method was relied upon in defining the research problem by identifying the deficiencies in the traditional budget balancing items to shift from the general to the specific as well as relying on the deductive method in order to shift from the specific to the general through generalizing the recommendations and highlighting the important observations in the implementation of the budget traditional items.

The second axis is the theoretical framework of government financial control and its relationship to auditing and evaluating budget items.

First: The concept of financial control and its importance: Government financial control is considered to be the organization plan and all the methods, procedures and methods set by the state to preserve public money wherever it is by preserving the fixed and current assets of government institutions, ensuring the accuracy and validity of accounting information and increasing the degree of dependence on it, (Kareem, Jabr, & Abd, 2022) As government financial control aims to ensure the proper use of public money in line with the goals and objectives of government institutions, and focuses mainly on records, financial books, documents, contracts, documents and the restrictions that reinforce them, with the aim of ensuring compliance with legal and professional conditions ,And the extent of their integrity and in the form that enables the extraction of the final accounts and statements of the state. As for the objectives of government financial control, it stems from the fact that it is a tool that assists the state in

the following: (Mohamed El-Toby , Kareem, & Abd, 2022)

- Protecting public money, rationalizing spending, and detecting fraud, theft, embezzlement, manipulation of public money, or misuse, whether they are cash or other assets.
- Provide evidence to officials and decision-makers in the country about the weaknesses discovered in the financial and administrative aspects of government institutions.
- Determine the duties and responsibilities and determine the type of deviations, whether positive or negative, to put appropriate procedures and measures for each type.
- Examining the final accounts, examining the reports of the external auditors, ensuring their authenticity, and monitoring the implementation of the budget in the correct manner, which does not deviate from the decision to implement the budget issued by the Ministry of Finance.
- Suggesting means leading to reducing the chances of taking inappropriate decisions, as well as identifying the deficiencies and successes in the entity subject to auditing.
- Judging the appropriateness of the internal control and systems applied in the entities subject to audit and the extent of their efficiency in achieving the objectives of the unit.
- Ensuring the correctness and integrity of financial matters and the application of laws, regulations, instructions and financial policies, as well as testing the accuracy of operations and financial data recorded in books and records to verify their compliance with regulations, laws and instructions, (Swanson , 2002)

Second: Types of Government Financial Control: A distinction can be made between various forms of government financial control as follows:

• Oversight in terms of the body that carries out it: Government financial oversight can be divided in terms of the body that exercises it into the following:

1. Internal control: It is that type of control that takes place from within the executive authority over the units affiliated to it, such as the minister's control over his ministry or the departments and units affiliated to him, as well as the control of the Council of Ministers over the state's ministries and agencies, (Smith & Jones,, 2000)

2. External control, which is the control carried out by external parties that do not belong to the executive authority, and the aim of its procedures is to reach a neutral technical opinion on the fairness of the final accounts and the results of their implementation for



the relevant financial period, and it is carried out by an external party, whether individuals, groups, or private or governmental organizations. It is that oversight that is carried out by administrative bodies that carry a judicial nature, and the exercise of this type of oversight is carried out by higher oversight bodies in the state and often follows the legislative authority, (Lefcourt, 2016)

Oversight in terms of its subject: Oversight is divided in terms of its subject into the following:

1. Accounting control: It is the traditional control that is limited to auditing accounts and the extent of implementation of the budget plan, as it is a purely accounting audit.

2. Economic control: It is a type of oversight that is not limited to the mathematical aspect or ensuring the legality of the administration's work, but rather aims to evaluate the government activity itself, and the extent to which the budget objectives are achieved and thus the extent to which the economic and social goals of society are achieved, (Ayelet & Yaacov, 2005)

3. Legitimacy control: It is the control that is concerned with the extent to which the administration's actions conform to the law in its general and broad sense, that is, the actions and actions taken by the executive authority do not enjoy the protection of the law, and they have no value unless they are compatible with the rules in force, (Handbook)

4. Performance control: It is an objective examination that diagnoses policies, systems and operations management in the entities subject to audit, and compares achievement with plans, results with standards, and practice with policy, in order to detect negative and positive deviations and explain their causes. (Dalia & Irena, 2008)

Third: The concept and characteristics of the "Traditional Budget": defines the item budget as a document in which all state revenues and expenditures are counted in detail and approved by the legislative authority so that sources of revenue and expenditures are monitored by the legislative authority and the executive authority is held accountable for any financial excesses. not adopted, (Aaron, 1978)

And the application of item balancing began in 1921 in the United States of America to be a comprehensive executive budget, which is that expenditures of one nature are limited to homogeneous groups, main and sub, regardless of the government administration that they provide. Then, expenditures are divided into main categories called (chapters), where these main chapters are divided into sub-items, which are represented by "objective tabulation, functional

tabulation, double tabulation, administrative tabulation, and economic tabulation." However, the preparation of budget items has a set of characteristics that its distinction from other methods can be explained as follows: (Asogwa & Etim)

- Based mainly on the indicators of previous years in estimating expenditures and revenues for the coming year.

- It adopts the monetary basis in its accounting systems and not the accrual basis, in addition to the fact that the power of the executive authority allows it to organize the budget in a way that leads to a hierarchical central system, but after making sure that the goal of the centralization of the budget apparatus is to increase effectiveness and provisions for control over resources.

- The items budget focuses on the oversight role, as the public money is a central responsibility of the financial control, and the workers in the budget apparatus must also have experience with government accounting systems, budget preparation methods, and financial control means.

All expenditures of government departments are based on unified standard classification, for example the qualitative classification covers the expenditures of all departments without regard to the nature of the activity or function, and this is consistent with the oversight objective of the budget.

Fourth: Advantages and disadvantages of the item balancing system:

Advantages of the item balancing system: The item balancing system is characterized by a number of advantages that can be clarified as follows: (Schmidt, 1992)

1. The item budget is comprehensive, and increases its flexibility, simplicity and clarity after a comprehensive comparison between revenues and expenditures of the previous year, which facilitated the task of conducting studies and comparisons because it is an organized budget.

2. Being gradual, sequential, and non-programmed, as it allows the participants in its preparation to discuss and approve the budget, as well as agreeing to increase or decrease some thousands or millions of dinars, such as the legislative authority's control of the executive authority in its management of the items of the general budget, and the budget apparatus's role as the guardian of public funds, and it shall be Most of the employees of the budget apparatus are accountants, with their experience in accounting systems, financial control methods, methods of preparing budgets and government accounting



systems, which give them full authority and the powers allowed to prepare them.

3. Attention to expenditure items and elements of expenditure and not to its purpose or allocation for spending on it, and the economic units are committed through specialized committees to follow a specific division and not deviate from it in any way, which would prevent one party from being overburdened with a comprehensive assessment of all expenditures and thus put an end to chaos in The use and collection of public money.

Fifth : Government financial control over balancing items in the Iraqi environment:

Iraqi laws and legislation dealt with financial oversight through a set of laws regulating the process of financial oversight, such as the Public Accounting Principles Law, the Office of Financial Supervision Law, and others. Performed by government units and ensure the achievement of elements of effectiveness, efficiency and economics. It also exercises pre-implementation control by auditing contracting procedures for the implementation of investment budget projects concluded by government units with other agencies, (Jack , 2006)

Monitoring during implementation by auditing disbursement operations on projects under construction and visiting work sites to verify the proper implementation of projects and according to the contracted specifications, and post-implementation control by auditing the state's final account and verifying compliance with the laws and instructions in force and not exceeding the appropriations allocated in the budget, if Each type of control has been determined by law, regulation, or special instructions related to the work of government units, as follows:

a. Previous exchange control: The Iraqi legislator adopted the principle of control before implementation, that is, previous control of exchange, through conducting financial and accounting audits by the internal financial and accounting agencies in government units (control and internal audit). (Wesberry, 1990)

B. Post-exchange control: The Iraqi legislator adopted the principle of post-implementation control, i.e. post-exchange control, and this was confirmed by the Iraqi legislation on the practice of the Federal Financial Supervision Bureau on financial operations of all kinds with the entities subject to supervision.

After completing the implementation of these operations by completing all stages and procedures prescribed by law and related to that implementation, the Federal Bureau of Financial Supervision shall also express an opinion on the lists, data and reports

related to the results of the work and the financial conditions of the entities subject to audit and indicate whether they are organized in accordance with the legal requirements and approved accounting standards and reflect the reality of the financial position As a result of activity and cash flows, the Bureau may, when a violation is discovered, request the Inspector General or the Integrity Commission to conduct an investigation, take the necessary measures, and remove the violation and its effects. (Natalia, 2017)

The third axis, the practical side: the impact of government financial control in auditing and evaluating the budget items:

First: Internal control applied in government institutions:

Which included the examination of the administrative and financial aspects, according to the survey lists prepared for this purpose and the answers contained therein, and their conformity with the reality of the situation. Through the available information, some defect points were recorded as follows: The lack of a plan in government institutions to change employees and their rotation at regular intervals in a way that does not affect the workflow.

- No system has been put in place to guarantee the identification of a replacement employee when the responsible employee is absent or enjoying a leave, dispatch or course outside the government institution site.
- There is no well-developed plan to include all employees of government institutions in training courses.
- The activity of the internal government control in government institutions was limited to checking the exchange and accounting documents and participating in some committees
- The work of the Internal Audit Department does not cover all the activities of the governorate and its affiliated formations

The department does not have an audit program that covers the activities of government institutions.

- The department's failure to prepare periodic reports on the results of its work, to be submitted to the governor's office to take appropriate measures and correct it on a regular basis.
- The department's failure to conduct periodic reconciliations between the names and preparation of employees for permanent and temporary staffing in the payroll lists with the personnel register.

Second: The most important specific observations from the external government financial control on budget items:



- Non-compliance of most government institutions with the financial allocations specified in the state's general budget and exceeding those allocations despite the existence of internal financial control in government institutions.

- The management report attached to the financial statements did not include the reference to the annual funding amount for government institutions and the percentages of financial execution of expenditures, in addition to not specifying the estimated revenues to be collected.

The committee formed in governmental and private institutions for the inventory of fixed assets did not include in the annual inventory lists as of 12/31 of the current ending year some information on the fixed assets and their specifications such as (their code numbers, location, condition at the time of inventory, value) because it did not approve the models and forms specified requirements for the preparation of financial statements.

- The final accounts of government institutions still show suspended and transferred amounts from previous years within the balance of the creditors' account that have not been settled, in addition to not counting the balances of credit accounts, advances and trusts in the final accounts.

THE FOURTH AXIS, CONCLUSIONS AND RECOMMENDATIONS:

- **Conclusions:** It is represented by the lack of clarity of the goals and objectives when applying the budget of items in the Iraqi environment, as well as the difficulty of measuring performance because the budget of items is characterized by exaggeration and is incorrect because it is not based on a sound scientific and practical basis. In it for the economic unit or measuring the degree of effectiveness in achieving the objectives of the selected unit, i.e. difficulty in knowing and not verifying that these resources have been used correctly and for the required purpose. Likewise, there are no analytical studies in this budget that include alternative ways of doing business and show the costs and benefits for each

In order for decisions to be based upon when distributing appropriations among competing expenditures on state funds.

- **Recommendations:** Resorting to the application of the contractual budget in the Iraqi environment in addition to balancing items, as it helps in providing radical solutions to many problems facing government departments, in particular the elimination of government red tape, poor performance and low

quality of services provided to citizens, through the conclusion of service contracts in The operational side of the budget. In addition to implementing government projects efficiently and economically, which leads to the delivery of project outputs to citizens and the rationalization of public spending. And reduce financial and administrative corruption in the implementation of budget items in the Iraqi environment.

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