The effect of operationalizing the budget on goal achievement in the Supreme Audit Court

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Abstract. Today, the need for monitoring operations and management activities in terms of efficiency, effectiveness and economic benefits as well as the need to improve is stronger than ever. Effective operational budgeting, a modern method of budgeting, is able to fundamentally change operational observation systems and the objective of the Court, as the regulatory arm of the nation's representatives in Parliament, will be realized faster and more efficiently. The aim of this study was to investigate the relationship between implementation of operational budgeting and the objectives of seeking answers and implementation of performance audit from the perspective of the Supreme Audit Court Auditors. The required data were collected from a sample of 347 individuals, chosen at random. Cochrane formula was used to determine the sample size. The data were analyzed using statistical tests. The results indicate that the implementation of Budgeting has a significant relationship with accountability and performance appraisal of executive authorities as well as the implementation of the performance audit and assessing the effectiveness, efficiency and cost of activities and programs.

Keywords: Budget, operational Budgeting, Supreme Audit Court, seeking answers, performance audit

Introduction

The present complexities and developments have given rise to the need for states to impose reasonable measures, particularly in planning, decision-making and scientific management and coordination of matters related to the needs of communities. Using modern methods of budgeting accelerates work in government and prevents waste of public funds. Furthermore, it is highly effective in promoting the social and economic objectives and allows the government to allocate national resources for achieving national goals. Budget is the government lifeline since all its financial activities, such as income and expenses payment for implementation of various programs are done in the framework of the budget law. Thus, budget fully shows all the programs and activities of the state and plays an important role in the development of national economy. Since in the traditional budgeting system, important factors such as effectiveness, efficiency, economy and efficiency regarding resources are ignored, resources are wasted and the cost of goods produced and services provided cannot be accurately estimated and calculated. The increase or decrease in the budget of systems is influenced by the political decisions of individuals and their bargaining power and their response rate, measuring the accountability of managers and evaluating their performance is weak. In addition, in our country macro-economic budget is related to issues such as economic growth, unemployment, employment and inflation and in general economic boom or collapse and on the other hand faces with deficits in most years. Due to the shortcomings of traditional budgeting in the country and also a legal requirement for moving from traditional to operational budgeting, the necessity of a method as an alternative to traditional budgeting is strongly felt. Given that the country's Supreme Audit Court as the regulatory agency seeks to implement the performance audit and evaluation of the performance of managers and their better accountability, the importance of this study is revealed; it examines the relationship between budget operationalizing and achieving the Court goals to the extent possible.

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Research literature

- Budget and the operational budget

Since its emergence, the concept of budget has undergone so many changes that finding an inclusive definition is a difficult task. Oxford Dictionary defines budget as the amount of money a person or organization consumes in a period of time in a project (Oxford, 2003). It includes the revenue and expenditure of the government in the form of public funds, state budget and the budgets of other institutions affiliated to the government (Ebrahim Nejad And Farajvand, 2009). Country’s total budget is the government's financial plan prepared for a fiscal year, forecasting revenues and other sources of funding and cost estimates for operations which lead to the achievement of legal objectives and policies, and consists of three parts as follows:

1. General government budget, which includes the following components:
   A - Forecasting receipts and funding sources taken directly or indirectly in Fiscal budget law by means of Treasury Accounts.
   B - Forecasting Payments that may come from public or dedicated funds to executive agencies civil, specific and current credits in the fiscal year concerned.

2. State-owned companies and banks Budget, including predicted revenues and other sources of credit.
3. Budget of institutions under the titles not included in the national budget (Menati Nejad, 2010).

Operational budget covers all the direct and indirect activities needed for the program and also estimation of the cost of activities. Operational budgeting seeks to establish the link between performance indicators and allocation of resources. It allocates resources based on achieving defined and measurable results. (Yar Qoli and Salimi, 2012).

- Budgeting and Performance Budgeting

Budgeting is a process organized for the implementation of a short term program. It is an annual program in which the relationship between funding and results of the program with quantifiable indices is shown (Panahi, 2007). Budgeting means predicting the budget. The main objective of budgeting is forecasts for the situation that has not happened but can be assessed with regard to the data and statistics at hand. Operational Budgeting is the annual performance program with the annual budget that shows the relationship between the amounts of funds allocated to each program with the results of the program components. This means that with any amount of credit allocated to each program, a defined set of objectives must be gained. Such budget should clearly show the link between the funds allocated by the government and the results for the people and explain how the relationship has arisen. (Panahi, 2007).

- Court of Audit

Supreme Audit Court came into existence according to articles 101 to 103 of the Constitution and its amendments in the years 1285 and 1286 (AH) and its first law consisting of 141 articles was passed in 1329 AH. The President of the Court of Auditors was selected individually and the members of the Court were elected by the National Assembly. Supreme Audit Court (AH) was dissolved in 1302 and re-established in 1312 AH.
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The Court of Auditors was always under the government's influence before the revolution and could never do its regulatory duties as the law had explained. It did not address about more than 35% of the country's budget and mainly observed state agencies and ministries civil and current credits and state-owned companies were audited according to the legal permits by the Ministry of Economic Affairs and Finance Audit. The Court that could have an important role in socio-economic development of the proceedings and operational and financial reports and interesting play was virtually isolated and even the country's key officials did not know the system well. After the victory of Islamic Revolution in Iran and the need for change in the country's financial system and the importance of monitoring the financial affairs, officials of the Court of Auditors decided to change the constitution and functions of the Court of Auditors. The General Accounting Office examined the law and similar organizations of a number of countries, including Algeria, Libya, Morocco, Turkey, France, Japan, the United States, etc. The Court concluded that the real position of the duties is under the supervision of the Islamic Consultative Assembly. With the insight of some of the members of the Constitutional Assembly of Experts the topic was fulfilled and principles 54 and 55 of the Constitution of the Islamic Republic were passed in 1358. Based on these principles, the Court of Audit was separated from the Ministry of Economic Affairs and Finance, and directly run by the Islamic Consultative Assembly and came into existence as an independent organization. With the exception of the abovementioned principles, managers and professionals interested prepared the Supreme Audit Court draft law and gave it to the Islamic Consultative Assembly. It was then presented as a project in different parliament sessions and ultimately the Supreme Audit Court Law consisting of 46 articles and eleven amendments was approved in 1361 by the Assembly. In the years 1362, 1363 and 1370 it underwent some reforms and according to it, Court of Audit reports directly to the Parliament and is independence in the financial and administrative affairs. The credibility required with the proposal approved by the Court of Auditors and the Court of Auditors and Financial Affairs Commission of the Islamic Consultative Assembly is mentioned separately in the budget of the country. The head and prosecutor of the Court of Auditors is elected after each Legislative inauguration, following the Commission's cooperation program and budget calculations, by the Islamic Consultative with the approval of the representatives. Supreme Audit Court is located in Tehran and its offices are in provincial centers. 3 to 7 advisory board and a Court of Appeal and a sufficient number of court assistants are the Supreme Audit Court.

Research Objectives

1. Is the Budgeting system capable of evaluating the performance of managers?
2. Is the Budgeting system capable of proper reporting?
3. Is the Budgeting system capable of calculating cost of goods and services?
4. Is the Budgeting system capable of evaluating the effectiveness of activities of the operational executives?

Research Hypotheses

Main hypothesis 1: Implementation of operational budgeting in the executive agencies is related to the seeking answers goal of Court of Auditors.

- 1-1 Secondary hypothesis: Implementation of Budgeting is related to the ability to assess the performance of executive authorities.
- 1-2 Secondary hypothesis: Budgeting implementation is related to the proper reporting capability of executive.
Main hypothesis 2: Implementation of the operating budget in executive agencies is related to the performance auditing in the Court of Auditors.

- 2-1 Secondary hypothesis: Implementation of operational budgeting is related to the ability to calculate costs.
- 2-2 Secondary hypothesis: Implementation of operational budgeting is related to the ability to evaluate the effectiveness of executive authorities.

Research method
This study is ex-post-facto. In this type of research, the goal is to investigate the relationship between environmental variables and data are collected and analyzed through past events that have happened without the direct involvement of the researcher, (Delavar, 2005). In addition, the study is applied, and was conducted through desk and field research. First, relevant sources were studied and also the researcher consulted with professors and academic experts to identify components of the relationship between the Court of Auditors seeing answer and the Court performance auditing and the implementation of in the operational budget of the executive agencies. Then the initial questionnaire was designed and after piloting and final approval among the research population, the data collected were analyzed using Excel software and SPSS and finally the conclusions have been drawn. In the questionnaire the respondents are asked to answer 39 questions by selecting one of the options is very high, high, medium, low and very low. The population of the research includes all the experts and managers of the Supreme Audit Court in the provinces and administrative areas involving 2740 individuals. In the present study sample size was determined based on Cochran for limited population and qualitative variable. The error was considered 0/05 and the sample size was 337. In this regard, 400 questionnaires were sent to the Courts in different provinces randomly selected and 368 questionnaires were returned. The questionnaires were then monitored and 347 were deemed usable and were analyzed. To determine the validity of the study content validity was used. For the reliability, Cronbach's alpha coefficient was used along with SPSS software and it was calculated as 0/972. Because a reliability of 0/70 is an acceptable figure in humanities research, the measurement tools selected enjoyed the required reliability.

Findings

- Testing the hypotheses
To investigate the first hypothesis there were 20 questions in the questionnaire, questions 1 to 10 investigated the relationship between the capability to evaluate the performance and operational budgeting system, and questions 11 to 20 determined the relationship between the ability to report properly operating budget system. To investigate the second hypothesis there were 19 questions in the questionnaire, questions 21 to 30 examined the relationship between the ability to calculate the cost and operational budgeting system, and questions 31 to 39 examined the relationship between the ability to evaluate the effectiveness and operating budget system. To test these hypotheses ratio test was used and the responses very low, low and moderate form one group and the high and very high responses make up the second group.

- H1: Implementation of operational budgeting in the executive agencies is related to the seeking answers goal of Court of Auditors.

20 questions were designed in the questionnaire to test this hypothesis. Central tendency and dispersion responses to the questions are as follows:
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(From the respondents’ point of view implementing operational budgeting does not affect the seeking answers goal of Court of Auditors significantly) H₀: P ≤ 0.5

(From the respondents’ point of view implementing operational budgeting affects the seeking answers goal of Court of Auditors significantly) H₁: P > 0/5

Table 1. H₁ test results.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups defining</th>
<th>Quantity</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3≤</td>
<td>54</td>
<td>0.000</td>
</tr>
<tr>
<td>Second Group</td>
<td>3&gt;</td>
<td>293</td>
<td></td>
</tr>
<tr>
<td>Result</td>
<td>H₀ is rejected and H₁ supported, i.e. the implementation of Budgeting has a significant relationship with the seeking answers goal of Court of Auditors.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the sig. value is less than 0/05 percent H₀ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses are more which means implementing operational budgeting has a significant relationship with the seeking answers goal of Court of Auditors.

- **H₁-1 test:** Implementation of Budgeting is related to the ability to assess the performance of executive authorities.

(From the respondents’ point of view implementing operational budgeting does not affect the ability to assess the performance of executive authorities significantly) H₀: P ≤ 0/5

(From the respondents’ point of view implementing operational budgeting affects the ability to assess the performance of executive authorities significantly) H₁: P > 0/5

Table 2. H₁-1 test results.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups definition</th>
<th>Quantity</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3≤</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Second Group</td>
<td>3&gt;</td>
<td>296</td>
<td>0.000</td>
</tr>
<tr>
<td>Result</td>
<td>H₀ is rejected and H₁ supported. Implementing operational budgeting has a significant relationship with the ability to assess the performance of executive authorities.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the sig. value is less than 0/05 percent H₀ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses are more which means implementing operational budgeting has a significant relationship with the ability to assess the performance of executive authorities.
**H1-2 test:** Budgeting implementation is related to the proper reporting capability of executive agencies.

(From the respondents’ point of view implementing operational budgeting does not affect the proper reporting capability of executive agencies significantly) $H_0: P \leq 0.05$

(From the respondents’ point of view implementing operational budgeting affects the proper reporting capability of executive agencies significantly) $H_1: P > 0.05$

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups definition</th>
<th>Quantity</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3≤</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Second Group</td>
<td>3&gt;</td>
<td>309</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 3. H1-2 test results.

Since the sig. value is less than 5 percent $H_0$ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses are more which means implementing operational budgeting has a significant relationship with the proper reporting capability of executive agencies.

**H2 test:** Implementation of the operating budget in executive agencies is related to the performance auditing in the Court of Auditors.

(From the respondents’ point of view implementing operational budgeting does not affect the performance auditing in the Court of Auditors significantly) $H_0: P \leq 0.05$

(From the respondents’ point of view implementing operational budgeting affects the performance auditing in the Court of Auditors significantly) $H_1: P > 0.05$

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups definition</th>
<th>Quantity</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3≤</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Second Group</td>
<td>3&gt;</td>
<td>304</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 4. Major hypothesis 2 test results.

Since the sig. value is less than 5 percent $H_0$ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses
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are more frequent which means implementing operational budgeting has a significant relationship with performance auditing in the Court of Auditors.

- **H 2-1 test:** Implementation of operational budgeting has a significant relationship with the ability to calculate costs.

(From the respondents’ point of view implementing operational budgeting does not affect the ability to calculate costs significantly) $H_0: P \leq 0.05$

(From the respondents’ point of view implementing operational budgeting affects the ability to calculate costs significantly) $H_1: P > 0.05$

**Table 5. H2-1 test results.**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups definition</th>
<th>Quantity</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3 ≤</td>
<td>48</td>
<td>0.000</td>
</tr>
<tr>
<td>Second Group</td>
<td>3 &gt;</td>
<td>299</td>
<td></td>
</tr>
<tr>
<td>Result</td>
<td>H0 is rejected and H1 confirmed the implementation of Performance Budgeting has a significant relationship with the ability to calculate costs.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since the sig. value is less than 5 percent $H_0$ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses are more which means implementing operational budgeting has a significant relationship with the ability to calculate costs.

- **H2-2 test:** Implementation of operational budgeting is related to the ability to evaluate the effectiveness of executive authorities.

(From the respondents’ point of view implementing operational budgeting does not affect the ability to evaluate the effectiveness of executive authorities significantly) $H_0: P \leq 0.05$

(From the respondents’ point of view implementing operational budgeting affects the ability to evaluate the effectiveness of executive authorities significantly) $H_1: P > 0.05$

**Table 6. H2-2 test Results.**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Groups definition</th>
<th>Quantity</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>first group</td>
<td>3 ≤</td>
<td>90</td>
<td>0.000</td>
</tr>
<tr>
<td>Group II</td>
<td>3 &gt;</td>
<td>257</td>
<td></td>
</tr>
<tr>
<td>Result</td>
<td>H0 is rejected and H1 supported, i.e. Implementation of operational budgeting has a significant relationship with the ability to evaluate the effectiveness of executive authorities.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since the sig. value is less than 5 percent $H_0$ is rejected and the conclusion shows that the ratio of high and very high responses is not equal to medium, low and very low responses. The high and very high responses
are more which means implementing operational budgeting has a significant relationship with the ability to evaluate the effectiveness of executive authorities.

**Discussion and conclusion**

The aim of this study was to assess the impact of operationalizing the budget on the Supreme Audit Court goals. In this study, two main hypotheses and two secondary assumptions were provided for each. According to the results all this research hypotheses were confirmed at with 95% of certainty. Implementing operational budgeting in executive agencies had a significant relationship with the seeking answers goal of Court of Auditors. Logically, implementing operational budgeting led to a clearer presentation of the budget predicted for each task and project. Thus, it could be better evaluated with the reality and its favorable or unfavorable deviations were shown. In return, more rational responses were received from the system officials. Also, get better implementation of operational budgeting in executive agencies had a significant relationship with the performance auditing in the Court of Auditors. Logically, implementing operational budgeting led to a better assessment of performance audit components which are economy, efficiency and effectiveness to be evaluated more accurately and to a more accurate calculation of the cost of each activity or project to be compared with the actual performance. According to the existence philosophy of the Court that requires the maintenance of its goals, namely monitoring public funds and preventing the violation of rights of the public, the authorities (represented by their elected representatives in Parliament) will call for the use of resources and their performance will be assessed. Accountability responsibility requires government to explain activities for the citizens and to provide them with logical reasons for the increase in financial resources and how to use them. The government accountability responsibility is based on the belief that citizens have a right to know and a right to know the truth publicly and through their legal representatives. According to the study, the following are suggested:

1. Court of Audit should use all the features and tools in hand, for a faster and better operating budget implementation in order to better reach goals faster.
2. Court of Audit should provide arrangements for the implementation of Performance Budgeting through identifying the barriers to implementation of Budgeting and reflecting it to the legislature.

**References**