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### Preparing the General Budget based on the Principles of Governance (Applied Study on a Sample of Government Units)

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**Preparing the General Budget based on the  
Principles of Governance (Applied Study on a  
Sample of Government Units)**

Latfe ALHUSSEINAWI<sup>1</sup>

*Abstract*

*The study aims to apply the foundations of governance in reducing the problems of the general budget in government units from a study sample in the city of Nasiriyah. The opportunity of application was assessed by using a questionnaire distributed to a sample of government units for 2018. To achieve the research objectives, the research was divided into three sections - the first section includes the framework of the research methodology, the second section covers the theoretical background on the general budget and governance and the third section includes the practical aspect of the research and analysis of the sample responses to the questionnaire.*

**Keywords:** *Foundations of governance; General budget.*

**Section One. Research Methodology**

***The importance of research***

The term "governance" emerged in the nineties of the twentieth century in many organizations in the Arab and foreign countries, and aims through its principles and means to solve many of the problems, obstacles and gaps that led many international companies to collapse. The research attempts to show the importance of applying the foundations of governance

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in government units for the research sample which applies the accounting system in the establishment of accounting processes and events and then the impact of applying these foundations in the efficiency of preparing the general budget of the state.

### ***The problem of the research***

It is clear to the researcher, through the close field view on the reality of preparing budgets in the government units from the sample research, that the preparation of the budget in all stages is suffering of several problems, which represent obstacles that stand in front of the preparation of the budget until approval by the competent authorities. The views of a number of accountants and administrators in government units from sample the research revealed to the researcher the following problems:

a. The lack of sufficient expertise in the field of budgeting in the government institutions sample research. This is due to the lack of sufficient disciplines in the field of economic planning and accounting, which leads to the failure of proper budget preparation according to the needs of institutions. As the preparation of the budget requires the identification of inflation indicators in prices, accurate statistical information on the increase in the number of employees planned to be appointed during the coming year is necessary.

b. The shortage of time required to study the budget, as the lack of specialized staff leads to the re-balancing several times from the main institution to the sub-institution and from the ministry to the main institution for their modification, at the expense of the time allocated for preparing the budget and for analysis and approval by the competent authorities. The delays in their arrival to the institutions is implied.

c. The lack of accuracy in the provision of financial statements due to the lack of an efficient accounting information system in the government units. The research sample proved weakness of the internal auditing and its lack of independence.

**The hypothesis of the research:** the researcher attempts through this questionnaire to prove the basic hypothesis adopted by the study, that the application of the foundations of governance in the efficiency of budget preparation in government units is affected. The following assumptions are derived:

The first assumption: the application of the foundations of governance affects the efficiency of the management of government units.

The second assumption: the fundamentals of corporate governance affect the quality of preparation of financial statements in government units.

The third assumption: the foundations of corporate governance affect the quality of accounting and non-accounting information in government units.

**Research Objectives:** the study aims to develop mechanisms to implement the foundations of governance in the preparation of budgets in government units, and to identify the reality of the mechanisms of applying the foundations of governance in the government units of the research sample, based on an assessment of the current reality.

**Sample Research:** the research sample consists of: -

- a. A set of government units for 2018.
- b. A number of professionals and academics to answer the questions of the questionnaire

The data on the sample of the research are described in the following tables:

**Table (1)** Number and percentage of distributed and retrieved forms of the research sample

Sample Forms	Distributed forms		Retrieved forms		Forms subject to analysis	
	Number	Rate %	Number	Rate %	Number	Rate %
<b>1. Professionals</b>						
Accountants	15	37.5%	15	41.7%	15	41.7%
Auditors	12	30%	9	25%	9	25%
<b>2. Academics</b>	13	32.5%	12	33.3%	12	33.3%
<b>Total</b>	40	100%	36	100%	36	100%

**Table (2):** Scientific specialization of the research sample

Academic achievement	Accounting and Auditing	Econo-my	Adminis-tration	Law	Commerci-al Sciences	Total
Number and percentage						
Number	24	3	2	3	4	36
Percentage	67%	8%	6%	8%	11%	100%

**Table (3)** Study achievement of the sample

Certificate Number and percentage	Bachelor	Higher Diploma	Masters and their equivalent	PhD and equivalent	Total
Number	10	10	12	4	36
Percentage	28%	28%	33%	11%	100%

**Table (4)** Number of years of employment of persons from the research sample

Number of years of employment	10 years and less	11-19	20 years and more	Total
Number	8	18	10	36
Percentage	22%	50%	28%	100%

## Section II. Theoretical framework

### *Background on the general budget*

The preparation of the general budget of any state is linked to a specific function that targets the achievement of the budget items. The process of preparation is carried out in accordance with internationally recognized standards related to transparency through four main areas: clarity of roles and responsibilities, availability of information to all, preparation of the declared budget, declared and supervised implementation, which guarantees that the process is carried out in all its stages with complete integrity.

The aims of this function are defined through the existence of a set of objectives agreed between the executive and legislative branches. These objectives are achieved within the framework of a national strategy for economic and social development, and through a set of specific policies, programs and implementation mechanisms. Accordingly, the general budget should be used as an essential tool in implementing the development strategy by considering it as a developmental program (annually) within the general procedural, institutional and legal framework of this strategy.

### *Definition of the budget*

The budget has been defined in several ways, as detailed below:

1. The first budget definition: According to the General Accountancy Law No. 28 of 1940 amended paragraph (1) of Article II, the budget is defined through tables containing the estimate of revenues and expenditures of the State for one fiscal year, specified in the budget law. From this definition, the State's budget includes, in terms of arithmetic, two aspects: the Law of the General Accounting Assets No. 28 of 1940 and its amendments (1).

The revenue tables include the expected collection of amounts during the fiscal year from various sources of income. The expenditure tables include the amounts allocated to the state units during the same financial year and the expenditures needed for the implementation of various activities and projects of the State. Since the tables are speculative, the budget reference for the coming period is defined by law, starting on 1/1 and ending on 31/12 of the same year.

2. The second budget definition: According to the Consolidated General Budget Law of the State No. 107 of 1985 under Article II [3], the budget is viewed as:

a. The budget of the government sector, which is centrally financed, is a budgetary allocation and planning.

b. The budget of the centrally funded government sector includes all resources expected to be collected from sources of funding for which ministries are responsible and the divisions associated with the Ministry, as well as the allocations approved for use during the fiscal year.

c. An annual process that is based on planning, coordination and monitoring of the use of resources to achieve the required objectives efficiently. It is mainly the decision-making process in such a way that officials at various levels of management can plan and execute program operations in a planned manner to achieve the best possible results through the most efficient distribution and use of available resources.

The researcher considers that the budget is a set of goals and programs that the state decides to implement in various units within a period of time, usually a year, expressed by their financial costs, and determine the amount and sources of funds to be collected during the same period to meet those costs.

### ***Objectives of the General Budget***

The goals of the state budget can be summed up in three main objectives [9:368]:

1. Planning objectives: As a result of the intervention of the modern state in various economic and social activities and the desire of governments

to find a real balance of the national economy, the budget has been seen as a planning tool, focusing on future events that must be realized and the linkage between estimates and achievement of objectives is a key issue within the budgeted time frame.

2. Supervisory objectives: Control is linked to a specific objective and is responsible for achieving that objective by the best means. The control objective of the public budget can be defined as a tool for central control of public funds. Achieving savings in implementing the budget and approaching planning of actual implementation and modification of deviations is the main task. For regulatory objectives, through which the actual performance of government programs and activities can be measured.

3. Behavioral objectives: The budget aims at influencing the behavior and trends of employees in the government apparatus of the state and focuses on the role played by the budget in measuring the performance and methods of this measurement and reports on the work performance data for individuals to help guide, develop and organize the government administration. Acceptable goals and criteria are established on the basis that this body represents the advisory body of the higher departments.

### ***Principles of preparing the general budget of the State in Iraq***

The general budget of the state is subject to a set of scientific principles in preparation and sometimes referred to as the budget rules and principles [11: 43-44]:

1. The annual budget principle: estimates are given to the expenses and revenues for one year so that each year is dependent on its expenses and revenues to enable the legislative authority to impose continuous control over the work of the executive authority. It is the best period covering all the seasonal factors that affect public spending and public resources. In addition, this period provides an opportunity for comparisons of revenues and expenditures between one year and another and determining their trends and implications, which helps in drawing the state's planning, economic and financial policies.

2. The principle of inclusion of the budget: This principle stipulates that the general budget of the State shall include all allocations of public expenditures and allocations of public revenues in a total manner. This means that the units of the State charged with the collection of public revenues shall not have the right to deduct public expenditures. This means that all revenues are collected in the State Fund to meet the expenses of the various State units, as determined by the budget allocations.

3. The principle of the unity of the budget: This principle requires that the budget is prepared in a single document that includes all expenses and all revenues of the budget. The goal is to ensure the ease of identifying the total estimates of expenditures and the total estimates of the revenues that comprise the budget, in addition to the possibility of identifying the difference between the two sides, whether available or deficit.

4. The principle of public release: The budget should be published and reported to the competent public authorities, disclosing the total amounts as well as the amounts of surplus and deficit together with general economic and social budget trends and statistics for comparisons between them and with budgets for previous years. The legislative authority is supposed to be informed of the details according to the organizational structure of the state, the geographic division of the administrative units and the extent of the balance of the budget with the development plans. The state units shall be informed of their detailed and analytical estimates to facilitate the process of implementation and supervision.

5. The principle of balancing the budget: The traditional view of the principle of balancing the budget should be that the total estimates of public revenues equal the estimates of public expenditure resulting in no savings or deficit in the budget. This view is based on avoiding the budget deficit and identifying means to finance it. If it is covered by loans, the financial period in which the deficit is realized will benefit from the loans received to finance the deficit and the subsequent financial period. On the other hand, it is aimed to avoid inflation and the consequent economic threats.

As for the modern view of the principle of balance of the budget concept is more comprehensive and supportive, as it leads towards a comprehensive economic balance (the balance between the expected national income and expected national spending) of the budget exercised by the effects of revenues and expenditures on economic activity.

### ***Divisions of the State Budget in Iraq***

The purpose of budget divisions or budget classification is to put the uses and resources into aggregates, sub-categories or homogeneous sub-categories according to certain criteria. Each group shall be given serial and progressive numbers to form an integrated system that shows the structure of the general budget of the State in which each group has its indications and serves specific purposes. There are two types of budget [9: 368]:

1. The investment budget (the budget of the annual plan): It includes allocating funds for the implementation of long-term investment projects such as roads and bridges, industrial, agricultural and service projects, which



ends with the establishment of a project. The method adopted in the division of the investment budget is the sectoral basis in the sense that the projects are divided by economic sectors, such as agricultural or industrial sector, service, construction and so on.

2. The current budget (regular): The current revenues and expenditures of government service units of recurrent nature including those expenses allocated to government units to perform the tasks assigned to them, which help the continuation of the state performing its duties in providing services to members of the community. It is called regular budget in order to be differentiated from investment spending. The current budget has multiple divisions, in order to provide the data requested by various bodies of interest in this subject in order to take the appropriate decisions or in order to prepare relevant studies. As the budget is a tool of financial management and a tool of financial policy, it must be ready to serve in terms of providing basic data.

### *The course of preparing the state budget in Iraq*

1. The stage of formulating the requirements of the preparation of the general budget: forms, tables, directives and instructions. This stage is carried out by the Ministry of Finance, where the tables necessary for the budget preparation are drafted and distributed to the concerned institutions with instructions on how to use them and the date of submission to the Ministry of Finance.

2. The initial stage of preparation of the budget by the sub-institutions - each institution must prepare its budget according to the specified bases, the available statistical data, and the directives issued by the Ministry of Finance and the general state of the state.

3. Discussion stage - the higher institutions attempt to balance the sub-subsidiary of the subsidiary, audit, ensure compliance with the directives and instructions and then examine each of the figures contained in the budget. The institution has to prove the need for the figure and then join the budget units to form the main institution's budget which shall be submitted to the competent ministry.

4. The stage of discussion by the competent ministry - the Ministry shall collect and examine the budgets of its subsidiary units, analyze in detail all the entries in these budgets and the action required to change or cancel the amounts and then join them and send them to the Ministry of Finance.

5. The discussion stage by the Ministry of Finance: the Ministry of Finance / Budget Department receives the budgets of the ministries and the main departments associated with them, reviews them and then establishes a

date for discussion with the ministry and the departments mentioned on the budgets. The requests for allocation are negotiated with the ministries to validate the applications by strengthening the statistical data and acceptable principles.

6. The stage of legislation: these estimates of all government units are consolidated and presented by the Ministry of Finance to the Council of Ministers for discussion and then to the Parliament which issues a law called the law of the general budget of the state.

7. Implementation phase: the budget shall be returned in the form of a law to the Ministry of Finance to be distributed to government units and all entities connected begin the implementation phase in accordance with the instructions issued by the Ministry of Finance, including the basis for the implementation of the budget so that units comply with those instructions and directives in addition to their commitment to the budget.

8. The control phase of the implementation of the budget: the purpose of monitoring the implementation of the budget is to ensure the soundness of the disposal of public funds and the commitment of the units to implement the limits of approved credits to be recorded on the relevant accounts and spending for the purposes specified during the budget period as well as the collection of revenues, by type of revenue.

### ***Definition of corporate governance***

Recent attention has been paid to the term governance in previous years, especially in the 1990s, as a result of the global financial, accounting and financial fallout from a number of global companies such as those in Southeast Asia, the Enron scandal and the subsequent collapse of Arthur-the Five Biggest Audits in the World.

The various definitions of corporate governance have varied the views of the writers and researchers and the parties that have considered it. The purpose of corporate governance as presented in each definition is as follows:

It is a set of mechanisms designed to ensure that the assets of an economic unit are used efficiently and that funders (investors) have returns on their investments. [16: 737].

The above definition focuses on the efficient exploitation of the assets of the economic unit. This definition includes methods of economic unit's assets optimization by the decision-making authority (management) to ensure that the other parties have the expected returns on their investments fair.

OECD definition: OECD is one of the first to be interested in corporate governance. It was defined in 1999 as the system that explains how to manage and control financial businesses. [12: 35] .

The definition focuses on the system by which the foundations and principles through which the activities of the enterprises are managed and the control of their performance are established. Procedures are established for the oversight and follow-up of the performance of managers in enterprises to ensure efficient utilization of available resources and thus achieve the basic objective for which the organization was established. Corporate governance has promised a system that includes inputs (which represent the principles and procedures of corporate governance and economic unity) and processes (how these principles and procedures are applied by management and employees of the economic unit). Outputs are the final results of the application of these procedures and principles.

The researcher believes that the governance can be defined in accordance with the subject of the current research as:

A system under which the activity of government units is subject to a set of laws, regulations and decisions aimed at achieving quality and excellence in performance by selecting appropriate and effective methods to achieve the plans and objectives of the units and control the relations between the main parties that affect performance.

### ***The importance of governance in government units***

The government is composed of a set of different structures that perform a variety of functions. These structures are interrelated. Therefore, any defect in one structure leads to the imbalance of the other structures. This means that the overall concept is to introduce new organizational patterns to suit the new types of activity, and implement work procedures within these new patterns in addition to the achievement of supervisory, administrative and advisory relations between these organizations on the one hand and between the new and old organizations on the other hand. Governance helps providing efficient and aware leadership of these policies as well as focusing on the most important ones. Human resources is viewed as a critical element in their implementation and requires intensive focus on the outputs of the administrative organizations. Quality is necessary to achieve an effective contribution to the improvement of economic and social well-being. We can conclude from the previous statements that the main objective of the administrative reform process is the success of the units in achieving their objectives effectively. The final outcome is achieving the economic and social well-being of the individuals and society [17: 6-8].

After this level of analysis, we can look at this outcome from the concept of governance. It is clear that in the simplest terms, it does not exceed the existence of certain systems that govern the relationship between the main parties that affect performance in general, i.e. they include certain elements to strengthen the units and their role and influence in society. In addition, if we want to emphasize this concept, the emergence of the concept of governance began in the wake of the economic collapses and financial crises. The importance of this concept in the management of organizations is a result of the general trend in the shift towards capital systems in which private companies achieve high rates of economic growth. This concept in its clear meaning refers to the interdependence between the concept of governance and the general budget of the state, both in terms of causes and procedures or in terms of foundations and objectives. There are also interaction and feedback between the mechanisms adopted in achieving each of them. In essence, it embodies the change towards progress and development towards economic and social well-being. Therefore, the role of governance can be summed up in reducing the problems of the general budget through the basic principles of this concept and the need to apply them to all aspects of the administrative apparatus. In case of Iraq the aim is to achieve the overall objectives. The impact of these basic principles essential in the process of preparation of public budgets are as follows:

- the guarantee of property rights, whether public or private, is based on legislation in force to regulate relations between individuals among themselves or between individuals and the state, the so-called social contract. History shows that Iraq is one of the first countries to pioneer since the earliest ages in the field of legislation and perhaps the Hamorabi obelisk is the best proof of that. The implementation of governance in Iraq is a successful way to carry out comprehensive administrative reforms in the organs of the state and may be appropriate to intensify efforts towards the development of legislation to ensure the development in the final outcome towards the preservation and development of property. Resources should be used in an optimal manner in activating the role of regulatory institutions. One of the most important tasks of these formations is the preservation of public property and therefore the activation of its role in supporting and ensuring independence and professionalism means the development towards the preservation of public funds and development. It is important to emphasize the role of civil society and media in censorship as the promotion of the culture of society makes it the best guardian of public money.

- The system of governance, represented by the laws and regulations and foundations, is in fact a reform trend providing a stable basis and full

confidence of the clients with different state institutions. This basis ensures the economic feasibility of the target of their various transactions.

The steps taken by Iraq have been consistent in this direction, as they have been legislated in several laws that regulate the relations between all parties in the economic activity, including the investment law and the law of public companies, as well as the development of several specialized laws in the specific fields of work such as the liberalization of the banking sector and the issuance of the new law of the Central Bank. Also, in Iraq have been implemented standards and rules of international auditing and accounting issued by international and regional organizations such as INTOSAI (Organization of Auditing Standards in Latin America), ASOSAI (Organization of Standards of Control in Asia) and AfroSay (Organization of Standards of Control in Africa), adapted by the Iraqi Standards Board to suit the specificity of the Iraqi environment.

There is mutual influence between state institutions and the environment in which they operate, requiring attention and focus on the social dimensions resulting from the work of the organizations within the society in order to maximize the intended benefit of its work, achieve its objectives and minimize the negative effects that may result from it. From the provision of equal treatment to all the people in fact represents a reformist trend through the determination of rights and duties in a manner that fosters national feeling and loyalty to the general public.

Disclosure is one of the basic principles referred to by the International Accounting Standards as well as Iraq. This is the development of the bases and rules adopted in the audit, which were referred to by the pillars of governance. This is related to the disclosure of the results of the final accounts in general, as well as the objectives that the units strive to achieve clearly and accurately. In the final analysis, towards the achievement of the highest economic and social goals, one of the main principles to be agreed upon and to work towards is the principle of people first. This can be achieved through the declaration of financial statements of the sub-units and main units, and then at the level of ministries and at the state level, to indicate the balance between national income and national expenditure, in time and in addition to other statistical indicators and according to the specificity of each activity, leading to a clear picture of the preparation of budgets. This trend also requires the disclosure of all cash and cash benefits of the management of these units (disclosure of their financial liabilities), as well as the disclosure of the procedures and structures adopted to proceed at a clear and consistent pace towards the implementation of the governance requirements, as well as the stage reached.

Transparency is ensuring that the public is informed and all the documents related to the activity of state agencies are published, thus developing the opportunity to form a clear picture of its activity and the objectives it seeks to achieve. It should be noted that disclosure and transparency do not include all information about units and employees, as there are confidential information that may cause harm to them or their employees. Therefore, it is necessary to identify all information that requires disclosure to avoid misuse by third parties and errors that may occur as a result of the announcement of this information.

The current reality in which various organs of the state operate from government departments or public companies has been determined by management from a specific point of view such as the director or the board of directors. In both cases, the management, whether a specific person or a council, will be the primary responsible for the degree of achieving the objectives of the company (management by objectives or results-based management). The success and efficiency of these units can be measured by the extent to which they achieve the desired objectives, while noting the impact on other aspects.

### ***The objectives of governance***

The objectives of governance vary according to the views of the writers and researchers in their definition of the concept of corporate governance. By studying these concepts and the importance of corporate governance in all its aspects, we can complete the objectives of corporate governance as follows

- Achieving behavioral discipline and balance in achieving the interests of all concerned parties within the framework of the agency's theory, finding effective regulatory means and providing efficient risk management in order to protect the interests and financial rights of the shareholders [13].
- Achieving transparency and fairness and granting the right of accountability to the management of the company, thus protecting the shareholders and bonds and limiting the exploitation of power in the public interest, leading to investment development, encouraging its flow, developing savings, maximizing profitability and providing good job opportunities
- Emphasizing the importance of adhering to the provisions of the law and ensuring the audit of financial performance and the existence of administrative structures that enable management to be accountable to shareholders [6].

- Developing an appropriate incentive system for management so that it can achieve objectives and reduce conflicts of interest between managers and investors
  - Defining the duties and rights of the participants in the management (Board of Directors and shareholders)
  - Establishing effective control systems for the performance of the company and its board of directors
  - Enhancing confidence for all parties to the relationship with the economic unit [2].

The foundations of Governance: governance is based on basic principles that lead to compliance to the efficiency of the performance of the units that apply them. These foundations are as follows:

1. Responsibility and accountability: Responsibility is defined as the obligation of individuals to perform the duties assigned to them as members of the economic unit and irrespective of their own interests [7: 107]. The economic units are thus encouraged to accomplish the tasks and responsibilities entrusted to them. Accountability means holding accountable those who make decisions and those who do business in economic units about the consequences of their actions and the results of their decisions [8: 3].

2. Disclosure and transparency: Disclosure is a fundamental pillar of corporate governance as all transactions in economic units require it. Disclosure of financial information and data in all economic units in terms of the speed and low cost of providing such information and leads to increased efficiency of performance of the economic units. Also, disclosure of information and financial data of economic units in an objective and fair manner provided to all parties involved with economic units ensures that adequate information and excellent quality is provided, helping all users to make the right decisions [1: 66]. Due to the increasing importance of disclosure of accounting information, many regulators have issued standards for the disclosure of accounting information to users [10: 331]. These standards work in tandem with transparency, which is one of the basic requirements of any economic unit operating in a dynamic environment. Increasing the degree of transparency contributes greatly to increasing the degree of trust between the economic units and the parties that deal with them, and thus making the right decisions. Transparency, however, means providing the relevant parties with adequate and sufficient information to enable them to fully understand a situation necessary in the decision-making process. Comprehensive, integrated data, based on known criteria and standards, is required.

3. Legislation and laws: The existence of laws governing the performance of economic units can lead to the efficiency of the performance of institutional control. In many countries there is no law or special system for institutional control, but there are laws and legislation governing the performance of economic units, such as the law of companies, the law of financial markets, the investment law, the income tax law, and other laws that define the responsibilities and duties of the agent in all the activities and activities of the economic unit.

4. Independence: Founding shareholders often lack the time and resources to follow each of the Directors and the Board of Directors, especially if these directors also have shares [4]. The Board of Directors should set up an audit committee consisting of at least three non-executive directors who must be independent. The main advantage of independence is to increase trust between shareholders and the board of directors. Investors should have confidence in the board's ability to recruit and pursue policies that generate maximum value for all shareholders, as well as confidence in the board's ability to implement effective strategies on the long term.

5. Equity in the treatment of all shareholders: Equal treatment is ensured to all shareholders within each category, through their possibility to defend their legal rights, to vote in the General Assembly on fundamental decisions, to protect them from any dubious acquisitions or mergers, to access internal information, and to all transactions with members of the Board of Directors or Executive Directors. [12: 35]

The researcher believes that the foundations of governance in government units are no different from those in the economic units, but the difference is in the heterogeneity of the objectives of the stakeholders. The direct stakeholders in the economic units are the shareholders (current and prospective), lenders, financial markets, banks, the General Authority for Taxation, staff, and managers. In the government units the stakeholders are illustrated in figure (1), in the absence of profit motive (as a common motive for all stakeholders in the economic units). It is important to change the relationship between the stakeholders themselves on the one hand and between them and the government unit on the other. The managers are appointed through the decisions of the Supreme Authority and therefore the relationship is purely functional and the results of its work and knowledge of its financial position is outside the interest of managers. This is confirmed by [14]. The author pointed out that the most important characteristic of government units is the heterogeneity of the objectives of the stakeholders and the following chart shows the stakeholders in the government units and their expectations.



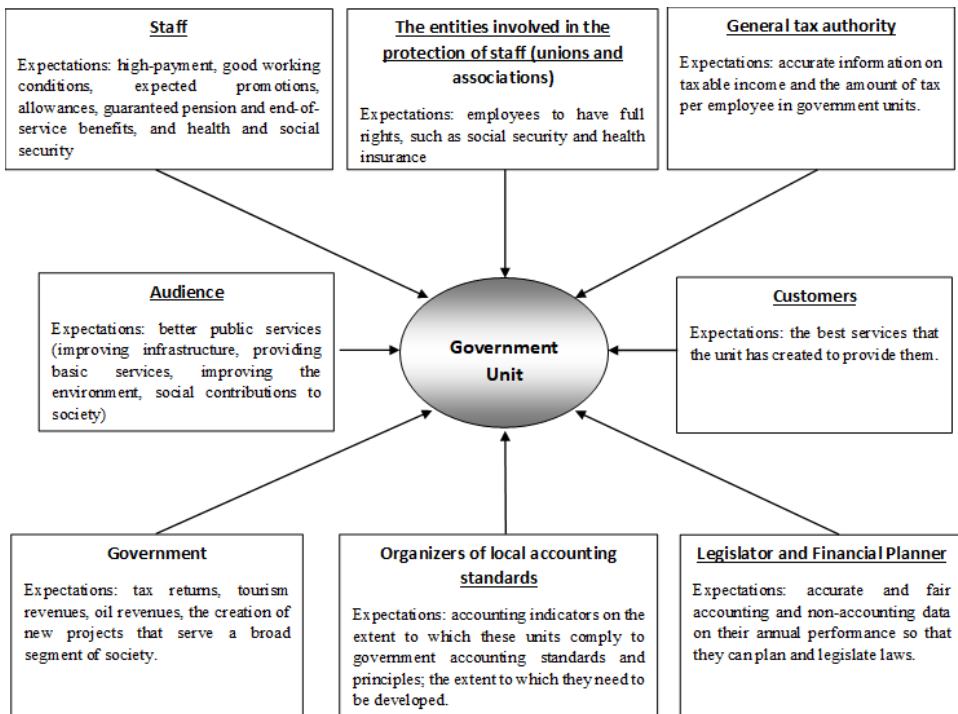
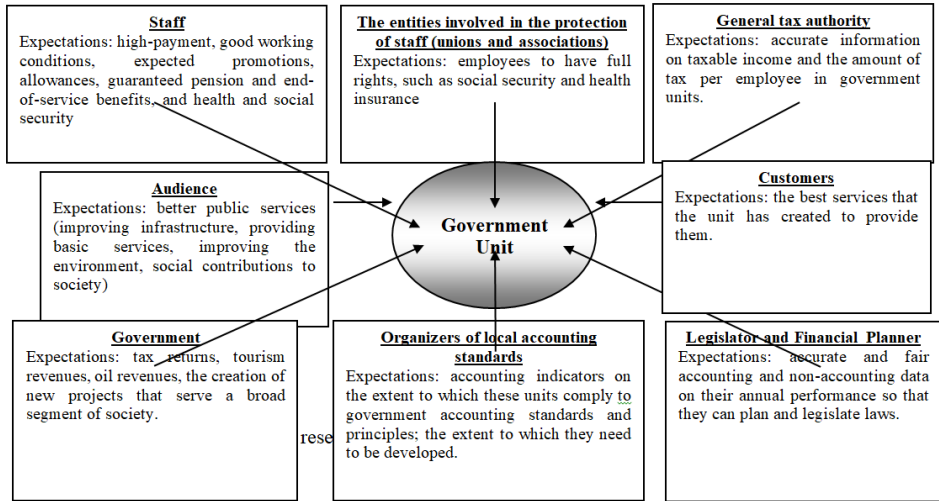


Figure (1) Stakeholders with the government unit and their expectations

### Section III. Application

The reality of the mechanisms of applying the foundations of governance in the government units was assessed by analyzing the results of the questionnaire for the study and the special axis mechanisms for implementing the foundations of governance in the government units of the research sample.

The mechanisms of applying the foundations of governance in government units can be explained in the following table:

**Table (5):** The arithmetic mean, the standard deviation, the severity of the answer, and the coefficient of variation for the sample of the research

No	Question	Arithmetic mean	Standard deviation	Answer severity	Variation coefficient
	<b>The first axis: To test the efficiency of the mechanisms of applying the foundations of governance in government units</b>				
1	The efficiency of senior management in government units is an important mechanism of governance.	4.425	9.4604	4.05	2.1379
2	Compliance with regulations and instructions in government units will lead to efficient performance.	4.5	10.4403	4.375	2.320067
3	Do you think that the laws in force in government units are an integrated mechanism of governance?	3.7	4.9497	2.875	1.337757
4	Do you think that the preparation of budgets as currently drafted can lead to the achievement of the objectives of government units?	2.35	8.0932	0.575	3.443915
5	Do you think that the timing of the adoption of the current budgets is a	2	10.1735	0.35	5.08675

	good time?				
6	The provision of information at the right time and appropriate quality will lead to the timely approval of budgets without delay.	3.025	5.4314	1.45	1.795504
7	Coordination and cooperation between administrative levels in government units in the provision of information can be considered as a tool for the successful preparation of budgets.	4.3	10.2225	4.125	2.3777326
8	Coordination and cooperation between the sub-governmental units and the departments within the ministry can lead to the provision of information that will lead to the success of the preparation of budgets and approval in a timely manner.	4.325	9.0277	3.95	2.087329
9	Financial information is prepared and disclosed under appropriate accounting standards in the area of accounting measurement and disclosure in government entities.	4.5	10.3682	4.125	2.304044
10	There is a separate internal audit unit in your unit, whose members are independent and professional.	2.6	6.8191	1.225	2.622731
11	Your department discloses internal audits and their results.	3.75	5.2440	3.075	1.3984
12	There is coordination between the Internal Audit	4.325	9.0277	3.95	2.087329

	Unit and the Audit Bureau.				
13	Internal audit is supervised by the Audit Committee of the Board of Directors.	1.095	8.2158	0.325	4.213231
14	The Board of Directors of the Government Unit shall not maintain high standards of professional conduct and shall take into account the interests of other stakeholders.	2.9	5.7879	1.75	1.995828

Note from the above table that the highest value of the arithmetic mean of the values in the five-dimensional Likert scale is 5, and from the observation of the arithmetic mean values in the table, the highest value of the arithmetic mean 4.5 is lower than the assumed arithmetic mean. The mean deviation is 8.0901, which is close to the value of the standard deviation and approaches the highest and lowest values in questions 6 and 8, which leads us to confirm the content of the sample answers in the three questions (Q7 - Q9). As for the severity and intensity of the sample, the second question presents a complete agreement of the; the sample differed by agreement on the fifth question, since the difference coefficient of this question was as high as possible. The sample responses to the questionnaire can be analyzed as follows:

1. The efficiency of senior management in government units. The research considers that the administration defines it as a social and humanitarian process in which the efforts of the employees of the organization are coordinated as individuals or groups to achieve the goals for which they were established [15: 37]. Coordinating the efforts of the employees is one of the factors that affect the efficiency of preparing the general budget because it is an important and fundamental mechanisms in applying the foundations of governance. This was clear through the questionnaire distributed to the sample, showing an arithmetic average of 4.425, 5 .The standard deviation was 9.4604. In other words, the responses focused on the answers. It was completely agreed - there was agreement between the sample and the first question. The second question, which shows the existence of regulations and instructions and the adherence to them leading to increased efficiency. The answers of the sample in the questionnaire had an arithmetic mean of 4.5 for the question of instructions and systems, which is close to the assumed arithmetic mean. The standard

deviation was 10.4403 (agreed and fully agreed). There is also agreement ratio through the severity of the answer score of 4.375.

2. The reality of the efficiency of the application of the instructions and laws in the government units. Compliance with the laws and instructions in force in the government units is one of the basic mechanisms in the units, and from these regulations and instructions the government accounting system, one of the laws is the general budget law in addition to the instructions and legislation in force. The answers in the questionnaire show that there is a difference in the answer and the dissociation of the answer was between “not agree” and “not fully agree”, reaching the standard deviation of 4.9497. This value indicates that there is a difference in the answers and that the answers have been dispersed. The degree of severity of the answer was 2.875.

3. The consideration of the general budget as one of the mechanisms of governance. When analyzing the responses of the sample for the fourth question, it was found that the answers focused on the lack of agreement that the general budget in its current form is one of the important mechanisms of governance. The standard deviation of the responses was 8.0932, 0.575. This means that the general budget requires effective mechanisms to implement the foundations of governance and we will explain this later.

4. The reality of the timing of the approval of the general budget and its approval in the government units. It was found through the answers to the questionnaire that the degree of severity of the answer is 0.35, i.e., agreement rate of 7.5% and the standard deviation of the answer 10.1735 - the answers focused on “do not agree” or disagree completely”, which means that the timing of approval and ratification of the budget leads to delays in provision of funds to the government departments. The research sample considers that the provision of the funds in the last months of the year leads to obstacles and problems in the implementation of investment projects planned. In addition, the factors affecting the efficiency of the budget and approval at appropriate time are:

- Is the provision of accounting information in the appropriate timing and quality? The severity of the answer in question 6 was 1.45, meaning that the quality and timing of the accounting information in the units of the research sample is weak and this is why the standard deviation of 5.4314 shows the dispersion of the answer between the paragraphs.

- The reality of coordination and cooperation between the administrative levels in the provision of information in the government units. The sample of the research considers that it is one of the factors affecting the timely adoption of the budget. The coordination and

cooperation between the sub-departments in the units of the research sample was good, for the seventh and eighth questions the result was 4.125, while the standard deviation was 10.2225, meaning that the answers were concentrated in “agree” and “fully agree”, that is, the degree of dispersion of the answer to the question is low.

5. The preparation and disclosure of financial information is carried out in accordance with the appropriate accounting standards in the field of accounting measurement and disclosure in the government units. The preparation of the accounts in the government units is done under the Government Accounting Manual. It is based on the accounting standards in the field of measurement and accounting disclosure. Results of the questionnaire question 9 showed that the severity of the response was 4.125 (87.5%). The value of standard deviation of the answer to question (10.3682) indicates that the answers in the sample agree on the fact is that the disclosure of financial information is based on international accounting standards.

6. Internal Audit: the internal audit is an important mechanism for applying the principles of governance, and by analyzing the answers of the sample on the internal audit questions, which are the questions from 10 to 13, we see that:

- The internal audit units in the government units are not independent. The auditor in the units of the research sample exercises the work of the accountant with the financial unit and at the same time performs the audit function. This is stated in question No. 10, since the severity of the answer is 1.225 (27.5%), and the standard deviation is 6.8191. The answers were not based on the agreement but on the fact that the sample did not agree to the question.

- By analyzing the answers to the eleventh question, we see that the severity of the answer is 3.075, and the standard deviation of 5.2440. The sample agrees on the fact that the government units of the research sample disclose information to the internal audits and their results. This disclosure leads to cooperation and support in the efforts of the external auditor. This is confirmed by the sample answers to question 12 with a severity of 3.95 and a standard deviation of 9.0277.

- As for the thirteenth question regarding the existence of a committee to supervise the internal audit process which is affiliated to the Board of Directors, the sample confirmed the absence of this committee, through the severity of the answer of 0.325 and a standard deviation of 8.2158.

7. Standards of professional conduct. These standards are included in a code that contains a set of basic paragraphs that should be given to the

employee in the department during the performance of the work assigned. The employees from these departments must adhere to these standards. It was found that the employees in the government departments have the following standards:

- Respect for the law: Compliance to the legal rules governing the work in accordance with the laws, regulations and instructions issued thereunder, and apply the provisions of the judiciary without delay.

- Impartiality: The ability to act only as dictated by the substantive aspects of the case before the employee, and to provide services and advice of the same quality to citizens regardless of their different political beliefs.

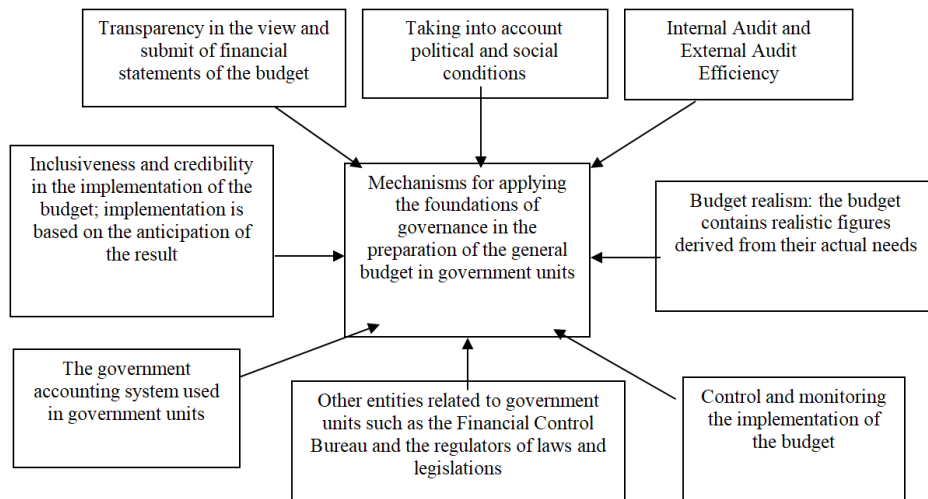
- Integrity: Since the service of the citizens and their trust are the purpose of the public service, the public official must seek to maintain and strengthen the citizens' trust, to emphasize the importance of the integrity and to promote the public interest of the community by not using their powers and position or allowing improper use of them. The public interest prevails over his or her personal interests in the event of a conflict between these interests. The employee should reveal cases of fraud and mismanagement in the event that he or she is aware of them, and not disclose official information in an incorrect manner or use it for personal purposes.

- Studiousness: The public servant must perform his or her duties with all due diligence, care and attention, strive to achieve the highest levels of service to citizens, abide by the procedural justice required for the administrative decision-making process, provide appropriate advice to his or her officials and avoid negligent behavior.

- Economy and effectiveness: In carrying out the duties, the public official should ensure that public funds are not wasted, misused or improperly used, and that all forms of public resources, such as human, material and moral resources, are managed in such a way as to preserve property and public revenues while ensuring efficient and high quality service.

The results of this study are based on the lack of awareness and guidance of employees on their professional responsibilities and duties in their performance. This question was agreed upon by the sample of the research with a response severity of 1.75 and a standard deviation of 5.7879, ie, the standard deviation answers focus in the agreement (“agree”, “fully agree”). The following diagram shows the mechanisms for applying the principles of governance in government units:

**Figure (2):** Mechanisms for applying the foundations of governance in the preparation of the general budget in government units



Source: prepared by the researcher

The analysis of the results of the questionnaire and of the testing of the hypotheses of the research: in this section the hypotheses of the sub-research are testes based on the sample answers in the following table:

**Table (6):** Responses of the research sample on the application of governance principles in government units

No	Question	Arithmetic mean	Standard deviation	Answer severity	Variation coefficient
The second axis: test the appropriateness of applying the foundations of governance in the preparation of the general budget					
1	Do you think it is important to apply the principles of governance in the preparation of budgets in your department?	4.75	13.0348	4.75	2.744926
2	Accounting standards are a fundamental mechanism of applying governance.	4.5	10.3682	4.125	2.304044
3	a. Increasing the quality of financial reporting in government units	4.5	10.2956	4.35	2.287911
	b. Increasing the efficiency of the internal audit process as well as the external audit process.	4.55	10.7005	4.325	2.351758
	c. Increasing the efficiency of management by activating the process of responsibility and accountability	4.25	9.0830	3.875	2.137176
		4.4	9.2736	3.95	2.107636



	d. increasing the quality of accounting and non-accounting information by activating transparency in the preparation of this information				
4	The senior administration achieves justice and transparency in the preparation of budgets within the pillars of governance through:				
	Participation by all employees in government units in budgeting the government unit.	4.15	9.2736	3.7	2.234602
	Provide a suitable measure of performance in the government units of the research sample.	4.375	9.1378	3.85	2.08864
5	Transparency and justice in the preparation and allocation of sub-sections of the operational and investment budget.	3.6	4.8477	2.7	1.346583
6	Timing for the needs of government units is a key mechanism for applying governance.	4.5	10.3682	4.125	2.304044
7	The internal audit function helps prevent and detect fraud and fraud, thereby increasing the credibility of accounting information and improving the behavior of employees.	4.4	9.4604	3.875	2.150091
8	The efficiency of auditors of the Office of Financial Supervision is responsible for auditing the activities of government units.	4.65	11.7686	4.575	2.530882
9	The efficiency, independence and impartiality of the auditor is a mechanism for applying the principles of governance.	4.75	13.0384	4.75	2.744926
10	The objectivity and credibility of reports issued by the Office of Financial Supervision on government units affect the credibility and objectivity of preparing the general budget in government units.	4.575	11.1580	4.575	2.438907
11	The engagement of the Iraqi Financial Supervisory Board with the legislative authority leads to the objective of neutrality and accountability for the performance of government units.	4.625	11.5109	4.625	2.488843
12	Standardization of accounting practices in Iraq through the	4.675	12.0208	4.675	2.571294

	government accounting system and binding accounting standards can be considered an appropriate mechanism for applying the governance principles in government units.				
13	Government units have a clear strategic message and objectives that are recognized by employees and other stakeholders.	3.95	6.9642	3	1.763089
14	External audit helps to achieve accountability and integrity, improve operations in units and thus instill confidence among stakeholders and citizens in general.	4.575	10.9316	4.425	1.636

Source: Prepared by the researcher

From the table above we can observe that the highest value of the arithmetic mean of the values in the five-dimensional Likert scale is 5, and from the observation of the arithmetic mean values in the table we note that the highest value of the arithmetic average is 4.75, which is lower than the assumed arithmetic mean. The mean deviation is 10.17997, which is close to the value of the standard deviation and approximates the value in question 10. This question represents the center of the sample, with regard to the intensity of adherence of the tested sample to the content of the questions, based on the first question and the twelfth. The results indicate the full agreement of the sample in the case of question then, while the sample differed in the agreement on question 12 as the coefficient of difference in this question is the highest possible. The hypotheses can be tested by testing the answers of the selected sample based on the answers in the table above . The test is presented below.

***The first hypothesis: the application of the foundations of corporate governance affects the efficiency of the management of government units***

The analysis is performed on the answers to the questionnaire questions (the second axis) shown in Table 6 above, through the sample answers to questions about the management efficiency, the third question (c). The mean was 4.25 and the standard deviation was 9.0830, while the severity of the answer was 3.875 and the rate of agreement was 87.5%. The fourth question, however, indicates that there is an agreement between the research sample on the fact that the senior management has a role in urging the personnel involved in the development of the budget of their units in addition to the progress of a suitable measure of performance in

government units if the sample research. The answers in the paragraphs of the fourth question were similar, and the numbers were close, with the two paragraphs having a mean of 4.15 and 4.375 respectively, which is close to the arithmetic mean (5). The response intensity was 3.7 and 3.85 respectively, which is a good ratio, while the standard deviations 9.2736 and 9.1378, respectively, which means that the rate of deviation of the answers is not dispersed, ie, a large proportion of the answers of the sample had limited agreement. This is confirmed by the fifth question of the same axis, which shows that transparency and fairness in the preparation and allocation of sub-sections of the operational budget and investment results from the preparation of the financial statements of the units and sub-sections are clear, fair and credible in the presentation of data. The value of the standard deviation was 11.1580, meaning that the answers focused on the agreement between the answers, which supports the degree of severity of the answer, which amounted to 4.575. By observing the coefficient of variation we see that it is low and not statistically significant in all the questions mentioned in the axis. It is relatively relative and not significant statistical significance.

***The second hypothesis: the foundations of governance affect the quality of the preparation of financial statements in government units***

The quality of the preparation of financial statements is a key factor in the success of government units in the preparation of the general budget, and any imbalance in the quality of their preparation leads to poor preparation of the general budget and therefore implementation. By analyzing the results of the questionnaire from question (3), paragraph (d), we had the following results: the standard was 9.2736 and the intensity of the answer was 3.95. The answers were concentrated to “fully agree”, “agreed” and the remaining to “to a certain extent”. This means that the principle of transparency in the preparation and presentation of the financial statements is active, by agreement of the majority of the sample regarding the efficiency of the preparation and implementation of the general budget. It is clear from the sample responses that there is a good agreement rate through the severity of the answer which reached 4.125, while the value of the deviation (10%). In addition, the objectivity and credibility of the reports issued by the Office of Financial Supervision, which stems from the independence of the Bureau from government units, affect the credibility and objectivity of the preparation of the national budget in government units (9, 10 and 11). The standard deviations of all questions were 13.0384, 11.1580 and 11.5109, respectively, ie, the responses were concentrated in a complete agreement, and this is supported by the degree of severity of the

response that reached 4.75 indicating possibility of considering the standardization of accounting practices in Iraq through the government accounting system and binding accounting standards as an appropriate mechanism for applying the governance principles in government units, which in turn leads to increasing the efficiency and quality of the preparation of the financial statements inquired through question (12). Question 12 had a standard deviation of 12.0208 and a degree of intensity of 4.675. The sample fully agreed on the question and the answers were concentrated in a complete agreement.

***The third hypothesis: the foundations of governance affect the quality of accounting and non-accounting information in government units***

In this paragraph we will show the role of the efficiency of the activity of the accountants and internal and external auditors in the preparation of accounting and non-accounting information. The efficiency of internal and external auditors and coordination between their activity leads to the result of increasing the efficiency and quality of accounting information and renders it the preparation of the general budget in government units and departments more appropriate and more objective. When analyzing the answers to the application of the foundations of governance we observed increased efficiency of internal and external audit, confirmed by the third question, paragraph (b), which had the value of the standard deviation 10.7005, (3,875). There is an agreement on the content of the question as the answers were concentrated between “quite agreed” and “somewhat agreed”. The internal audit function helps to prevent and detect fraud (7) had a standard deviation of 9.4604 and a response intensity of 3.875, that is, the ratio of the sample agreed on the question content. The internal audit is one of the basic principles for governance. With regards to external auditing which is represented by the Financial Control Bureau, its efficiency is considered an important mechanism for applying the principles of governance. The analysis of the answers of the sample shows that the standard deviation is 11.7686, and the ratio of the sample agreement to this paragraph is 4.575, which is the severity of the answer. It ensures the integrity and improvement of operations in the units and instills confidence among stakeholders and citizens in general, and this is supported by the sample answers to question (14), where the standard deviation was 10.9316, meaning that the answers were concentrated in agreement as the degree of severity of the answer was 4.425; the deviation factor in all questions was not statistically significant.

## Conclusions

After analyzing the selected sample responses to prove the hypothesis of the research, the researcher presents the following conclusions:

In regards to the application of the governance principles in the government units, the research sample indicates increasing efficiency in the performance of all its related activities, only occurring though in the presence of internal and external mechanisms implemented to apply these foundations, including senior management of these units, internal audit and external auditing. This points to the efficiency in the application of the rules and regulations in force, including the State Budget Law and the government accounting system and rules of professional conduct.

The general budget in its current form cannot be considered an efficient mechanism to implement the pillars of governance because:

- The timing of the provision of financial allocations to government units is not appropriate, in the sense that the allocations of government units to the research sample arrive in the second half of each financial year, and this leads to the obstruction of its work and confusion in the implementation of investment projects.

- The information on which budgets are based on government units is based on inaccurate information because they are prepared by persons who are not specialized in the field of accounting, financial, economic and statistical sciences, but are prepared by the employees in the accounts unit of that department.

The efficiency of the management of government units is an important component of the implementation of the pillars of governance. This is confirmed by the answers of the research sample on the questionnaire, indicating that the lower the efficiency of management in the government units, the lower the performance index and consequently the effect on all the activities of government units in a fair and objective manner reflecting the actual requirements of these units of financial allocations and vice versa.

The field study shows that, despite the coordination between the departments in the government units, especially the coordination between the internal auditor and the external auditor, the risk of providing inappropriate information or low quality information is still very high, due to the lack of independence and impartiality of the internal auditors.

The weakness and delay in the preparation of the general budget in the government units, according to the sample of the research, were due to the lack of specialists with experience and efficiency in the preparation of

budgets. In addition, the budget preparation is based on arbitrary and personal judgments and not on scientific basis.

Non-compliance with the standards of professional conduct - although there are codes and instructions related to them, these standards in their current form cannot be considered an effective tool to develop the performance of government units in the sample research.

The fundamentals of corporate governance affect the quality of preparation of financial statements in government units through transparency in the preparation of financial statements and the proper application of the relevant accounting system. In addition to taking into account all accounting standards and principles in the preparation of financial statements in government units, the mechanisms for applying the foundations of governance should be in place through activating the process of responsibility and accountability.

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