

Role of operating budgeting system in enhancing the accountability of public sector (case study: Isfahan social welfare office)

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Abstract: Accountability has taken a special place in the framework of accounting and financial reporting agencies, and has been changed to the main comparative evaluation factor for the accounting and financial reporting system of the organizations. In comparing and evaluating the accounting and financial reporting systems, the capacity of accountability plays the fundamental role. The use of operating budgeting system will lead to greater emphasis on a measurement standard of the economic resources. In this study, the influence of public accountability factors such as (legal accountability, political accountability, professional accountability, and organizational accountability), on the performance-based budgeting was investigated. Questionnaire was used to collect information. The research population was 100 accountants, agents of the city's Financial Controller, and managers of Isfahan Social welfare office. After the distribution of questionnaires, the total of 80 questionnaires was returned and was analyzed as statistical samples. After ensuring of the questionnaires' validity and reliability, the collected responses were studied and analyzed through descriptive-survey statistics in field studies. The research methodology is applied. The results have shown that the public sector accountability (legal accountability, professional accountability, institutional accountability, political accountability) influenced on the performance-based budgeting system.

Key words: Legal accountability; Professional accountability; Political accountability; Institutional accountability; Budgeting system; Social Welfare Office

1. Introduction

Budgeting is considered as an effective tool for accurate management of the government and the public sector. Managers and decision-makers aware of modern methods of budgeting in micro and macro levels provides not only the rational use and allocation of the resources but the suitable context for the growth and performance of the device in public organizations, and in addition to improving performance avoids extravagance and wastefulness of public property and leads to equitable distribution of national resources. Budgeting methods in terms of the societies' need and economic and administrative are mutating and the previous methods are gradually modified (Abedi, 2008). Operational budgeting is to create a link between performance indicators and resources allocation. However, such links are often weak, but can facilitate budgetary policy and law makers on the results of the monitoring of public expenditure increase (Damvnd, 2003).

Operational budgeting by obligation to the executive organizations tries to focus on the programs results, improve the effectiveness, efficiency and accountability of government programs. This system by production and better

representation of the cost effectiveness and government programs seeks to help the managers to improve the programs performance and aims to establish a closer link between resources and results. The system is targeted to allocate funds to programs and activities, clarify budgeting process, link budgeting and performance outcomes, measure effectiveness and efficiency of programs and activities. Public finance and accounting experts have believed that government accounting and financial reporting system as the primary means of public accountability is playing an important role plays and is responsible for important affairs. Based on this idea during the second half of the twentieth century, the importance and role of accounting in determining the proper place for the concept of accountability on the theoretical foundations of accounting and financial reporting has been much emphasized. There are different types and levels of responsibility, accountability and responsiveness can be investigated from different aspects and present its different forms. The responsibility of financial accountability, operational accountability, political accountability, and social responsibility, accountability are from a variety of accountability styles and types to meet the realization and fulfillment of each of which requires the use of appropriate mechanisms.

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up to date, many researches have been conducted on the operational budget of which are as follows: Andrew (2004) has investigated the influencing factors on adoption of operational budgeting and the operational budgeting system effectiveness, and has considered the ability, authority, and acceptance as the influencing factors outlined in creating operational budgeting. On the other hand, Azar Wafae (1389) investigating the affecting factors the effectiveness of operational budgeting in public organizations stated that, capability is the authority of executing operational budgeting and acceptance of the factors affecting the effectiveness before its implementation. And communication quality on the organizational level and allocation of resources based on performance are the factors influencing the effectiveness of budgeting during its implementation. Melker and Vilogby (2000) also examining the performance budgeting have demonstrated conflicting views about its success that different states have not reached the desired results of operational budgeting system establishment. In addition, Andrew (2004) investigating the effect of traditional budgeting system on system accountability has indicated that some factors influencing the changes of the budgeting system in to operational budgeting which are one of the most important factors of the previous budgeting system and method and if we want to interpret it into operational budgeting system, it has effects on this budgeting system change.

Recently in Iran, a trend has been created in laws and regulations, as well as methods for planning and budgeting to establish operational budgeting instead of program budgeting. Therefore, this study due to indispensable use of operational budgeting system, seeks to review the role of performance-based operational budget system of budgeting system and public system accountability. In this study, researchers sought to determine the role of operational budgeting systems on the basis of legal, professional, organizational, political accountability to enhance accountability in the public sector (case study Isfahan welfare).

2. Theoretical framework and hypotheses

2.1. Theoretical framework

Today, the budget system is a complex system of plans and programs which in addition to political and economic role takes the crucial role of planning

as well. Since it is obvious that development is not one-dimensional issue and economic development can lead to social and cultural development, the most important factor in the occurrence of these matters is choosing the right goals, strategies, and finally the missions of budgeted programs and design planning (Faraj Vand, 2001). The operational budgeting definition presented by the International Monetary Fund is as follows:

Methods and mechanisms that improve the communication between funds allocated to executive systems to their outputs and outcomes through the use of operational information in the allocation of resources (Abraham et al., 2009).

Participation in political power is equivalent to equal accountability. For this reason any political institution in the carousel cannot be played, unless in proportion to the share of power delegated to it be responsible for accountability to the rightful owners. Thus, political power in this system is the bi-dimensional, this means that on the one hand it monitors the institution or other entity, and on the other hand, it is under supervision of and monitored by people or any entity of the same position as the real owners of power (Babajani, 1999). Dimensions of accountability can be classified in to political accountability, legal accountability, professional accountability, and organizational accountability. Political accountability is associated with the policy of accountability or responsibility for the policies that have been adopted and or denied; legal accountability and liability is associated with obligation accountability and legitimacy of the use of funds in accordance with the approved budget and the Professional accountability associated with process accountability includes executive procedures or measurement criteria for performing specified tasks (planning, allocation, and management). Finally, organizational accountability is associated with program accountability or implementation accountability and the achievement of the program objectives (effects and effectiveness) (Babajani, 1999). Due to the above, the following conceptual model (Fig. 1) can be used. While expressing different dimensions of accountability (organizational accountability, legal accountability, professional accountability, and political accountability), the conceptual model examines the relationship between operational budgeting system and the dimensions of accountability.



Fig. 1: The research conceptual framework (Rumzak, 2004)

2.2. Hypotheses development

Using the budget as a policy or plan instrument was for adjusting fiscal policy for economic purposes so that through that the revenues and budget expenses supply some specific purposes of maintaining economic stability and crisis preventing. These purposes are: setting investment goals and growth rate, the state of resources allocation to consuming coasts, and capital transfers between sectors, determining economic growth rate so as to maximize the social benefits and minimize tax pressures or coasts of resources bringing out from the private sector, reducing income inequalities, and modification of the manufacturing flows poor performance distribution effects (Shabbiry Nejad, 1996). The main factors that lead to the Planning Budgeting can be considered for the development of micro and macro-economic analysis, Its role in shaping fiscal and budgetary policies and as well in the development of new information technology and its application in policy and decision-making (Leiden, 1973). In the operational budgeting of resources are allocated according to priorities and measurements results. Operational budget is the product of strategic planning in which the decisions related to optimal allocation of resources are accepted based on test results and the organization general objectives, the specific strategies and action plans for each organization. The main advantage of operational budgeting is the change of debate focus from the program input to the program's results. If the present results are not acceptable, reasons for poor performance must be checked, and if the current strategies are not effective, it may be necessary to change the program (Panahee, 2007). Structural and services features of environment of public and private activities is the reasons leading to projecting the concept of public accountability in accounting and financial reporting m system and other components of internal control system of the public sector. One of these features is the form of the government representative and the separation of powers. Governmental Accounting Standards Board considers the relationship between taxpayers and the services received by them as another one of the structural and services features of non-commercial activities environment influencing the emergence of the accountability concept and its important role, the accounting system and internal controls. The proper use of accountability sense as a measure of performance evaluation involves certain mechanisms that can provide appropriate context to present informed judgment. This means that first a basis for evaluating the performance must be provided so that the selected officials act on that base and be responsible for the results and consequences.

Then, it will be possible to use the concept of accountability responsibility as a benchmark for evaluating of the selected officials performance. To

this end, an objective program is developed in which not only the objectives but the ways to achieve these goals and are determined. The cost of the programs' execution and the way to finance and the place use of these resources will be estimated and predicted (Babajani, 1999).

The study is an attempt to examine the role of operational budgeting system in promoting the accountability of the public sector. Therefore, the following hypotheses are proposed:

H1: Performance-based budgeting system leads to enhancing of the legal accountability.
H2: Performance-based budgeting system leads to enhancing of the professional accountability.
H3: Performance-based budgeting system leads to enhancing of the organizational accountability.
H4: Performance-based budgeting system leads to enhancing of the political accountability.

3. Methodology

3.1. Data collecting and Tools

An experimental study was done to investigate the role of operational budgeting system in promoting in public sector accountability in Isfahan Social welfare office. The purpose of the questionnaire was divided into two sections.

The first part included the demographic information such as gender, education, and employment history. The second was the questions associated with the proposed model.

The used questionnaire consisted of 20 questions which were determined using a five-item Likert scale from 1 (very low) to 5 (very much). To confirm the validity and quantitative and qualitative improvement of the questions, the teachers' approval, experts' and researchers' were obtained. And after correction were used to realize that the experts' views were used also to confirm its validity. A pilot study was conducted with 10 questionnaires distributed. The preliminary test guarantees the questions validity and helps us to amend our questions. After determining the sample size, the questionnaires were distributed among the participants. The study population included all accountants, agents, executives, and Financial Controller in the cities of Isfahan in welfare office. Due to the limited statistical population ($n = 100$), the total population was studied, so a total of 100 questionnaires were distributed of which 80 were usable. After collecting the data, Cronbach's alpha coefficients were calculated using SPSS software. Cronbach's alpha values obtained was 0/909, which indicates that the questionnaire had good validity level. Cronbach's alpha for the total amount obtained from all the questionnaires distributed was 0/861.

3.2. Demographic data

Among all the people in the sample 61.3% were male and 38.8% female. Most of the people in the sample had an academic degree among whom 48.8% were in the Bachelor's degree, 17.5% in Associate Degree group, and 31.3% of them have Graduate Degree or higher. The majority of the sample (48.8%) had an employment history of 20-10 years, while 17.5% had a history of 5-10 years, and 31.3% had over 20 years of experience.

4. Investigation of the research hypotheses

4.1. Kolmogorov-Smirnov test

To investigate the research questions, the data normality was examined using the Kolmogorov-Smirnov test. According to table 1, the level of significance of each variable is larger than 0/05, so, the research variables are normal ($p > 0.05$).

Table 1: Kolmogorov-Smirnov test to check normality of the variables under study

Variable	Number	Mean value	Standard deviation	Kolmogorov-Smirnov	Significance level
Legal accountability	80	3.712	0.766	1.259	0.084
Professional accountability	80	4.143	0.522	0.773	0.589
Organizational accountability	80	4.181	0.529	1.101	0.177
Political accountability	80	4.162	0.599	0.997	0.274

4.2. T-test

Then, the general mean of answering the questions related to each factor for each subject was calculated, and considered as an indicator of each factor. Then using T-TEST, the impact of these factors was compared with the number 3. The

results are given in Table 2. Assuming that the mean equation with number 3 is rejected, the mentioned factor is affective in case that the mean value is more than 3. However, if the null hypothesis is not rejected or if the sample mean is less than 3, the factor is not an affective factor.

Table 2: T-test

Hypothesis	Mean value	T-value	Degrees of freedom	Significance level	Result
H1	3.712	8.317	79	0.05	Hypothesis is confirmed.
H2	4.143	19.566	79	0.05	Hypothesis is confirmed.
H3	4.181	19.966	79	0.05	Hypothesis is confirmed.
H4	4.162	17.346	79	0.05	Hypothesis is confirmed.

In investigation, all hypotheses were $05/0 =$. Given that the significance level for all statistical hypotheses was less than 0/05 and the mean was higher than 3, and the T-value was greater than 1.645 $T_{(1, 80, 0.05)} = 1.645$. We can conclude that all research hypotheses are confirmed, performance-based budgeting system cause accountability to improve (legal, professional, political, and organization).

4.3. Friedman test

After the t-test and evaluating the effectiveness or ineffectiveness of the factor relating to separation of any of the hypotheses, Friedman test was used to prioritize the factors relating to separation of each hypothesis and the priority-scheduling of the hypothesis.

Table 3: The test statistic (Friedman test)

Number	80
Chi square	29.381
Degree of freedom	3
Significance level	0.001

Table 4: Ranking Factors

Performance-based budgeting system	Rating Mean
Legal accountability	1.92
Professional response	2.61
Organizational accountability	2.78
Political accountability	2.69

As can be seen in Table 4, "organizational accountability" with the mean rank of 2.78 got the highest priority; on the other hand "legal accountability" with the rank mean of 1.92 got the lowest priority among the performance-based budgeting system factors.

5. Conclusion

Today, the budgeting system is a complex system of plans and programs which in addition to political and economic roles is responsible for a crucial role of planning as well. Performance-based budgeting is a system that includes planning, budgeting and

evaluation emphasizes the relationship between the allocated budget and expected results. Characteristics of performance-based budgeting are: focus on results, flexibility, and long-term perspective.

Also in the operational budgeting, the control and monitoring process is simplified based on the strategic plans and targets priorities, the organization's mission and goals can be achieved of the budget context, the strategic plan information can be used in budgeting, performance metrics as the independent variables, of which budget Figs is a function, are used in budgeting, the costs are classified in several general parts such as personnel, operating and capital costs. Policy makers, managers, and mostly the citizens participate in budgetary decisions through development of strategic plans; identify cost priorities, and performance evaluation (Panahee, 2007). On the other side, participating in political power is equal to accountability. For this reason, none of the political institutions in the power carousel can be played unless in proportion to the share of power delegated to it to be responsible for accountability to the rightful owners.

Thus, in the present study the relationship between the operational budgeting system and accountability dimensions (legal accountability, responsiveness, professionalism, accountability, organizational, and political accountability) were examined. The results show the significant effect of the operational budgeting system on legal and professional accountability which is in line with the results obtained by Khodami and Zeinali Poor (2007). The results also show the significant effect of the budgeting system on organizational and political accountability that is consistent with findings of Babajani (2003). Thus, the budgeting system has a significant effect on accountability.

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