

The Role Of Internal And External Control In Evaluating Long-Term Projects For The Investment Budget: An Applied Study At A Public University

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Abstract

The research aims to identify the objectives and stages of the investment budget and know the regulatory bodies that supervise and monitor investment projects. Also, identify the shortcomings in the planning process for implementing investment projects. And activate the procedures of the various oversight agencies' procedures to carry out control and supervision operations to reduce the factors affecting the poor implementation of investment projects. The research problem is to activate the role of the various oversight agencies for the oversight and supervision of investment projects and to identify the reasons that led to the low implementation of investment projects. The most important of the conclusions is the inaccuracy in planning by the responsible authorities in preparing the speculative statements and the lack of a role for internal auditing in the referral of projects, which led to the issuance of multiple spare orders (orders of deletion and creation) for one project, and this, in turn, led to a delay in the completion of projects or an increase in their costs, and the lack of effective auditing procedures for the oversight agencies in charge of auditing the investment budget projects.

Keywords: investment budget; internal audit; external audit; evaluation of investment projects

Introduction:

The investment budget is an important stage of investment decision-making in service units, which requires more effort for preparing and implementing them because Planning does not end with the development of the plan but includes follow-up on its implementation, one of which is linked to the other, so there must be effective and efficient oversight bodies that undertake the process of supervision and control On the planning and implementation processes and the procedures for disbursing the approved amounts for investment projects, and ensuring that the allocated amounts have been disbursed according to the established objectives and within the specified period and in accordance with the powers and instructions in force.

Many projects were not at the required level; some were stalled, and some were lagging. Therefore public money and public services are the victims, which in turn affects the citizen as the ultimate goal that the state seeks to achieve his desires by providing the necessary services. Hence, the research consists of four axes. The first axis deals with the budget, the state's investment aspect, and how to prepare and implement it. The second axis dealt with the types of oversight bodies on investment projects. The third axis dealt with the practical aspect, and the fourth axis dealt with conclusions and recommendations.

The First Is: The Research Methodology

- **Research problem:**

Government institutions, in general, suffer from great neglect in the infrastructure, and this affects the type of services provided despite the availability of material capabilities, but this is due to the lack of interest on the part of the implementing agencies, in addition to the frequent issuance of spare orders and additional periods granted by the employer due to poor Planning. As a result of not putting the speculative statements in a scientific way, which negatively affected the implementation process, so the research problem can be formulated through the question (Is it possible to activate the role of the various monitoring and auditing agencies to supervise and monitor investment projects and identify the reasons that led to the low physical implementation of projects to avoid them in the future).

- **Research importance:**

The research derives its importance through activating the role of the various oversight agencies to carry out control and supervision operations on investment projects as a result of the huge funds allocated for the implementation of projects, in addition to the importance of these projects in government institutions.

- **Research aims:**

The research aims to achieve the following: To identify the objectives and stages of the investment budget-knowledge of the regulatory bodies that supervise and monitor investment projects. Identify deficiencies in the planning process for the implementation of investment projects. It is activating the role of the various oversight bodies to carry out control and supervision operations to reduce the factors affecting the poor implementation of investment projects.

The Second Axis: The Theoretical Framework For Research

1- The investment budget of the state and the stages of its preparation and implementation:

First - the investment budget:

A budget is a planning tool and a means of control. To achieve it, there must be coordination between the responsible persons within the accounting unit, in addition to the existence of coordination and interaction between the departments and people in the accounting unit , (Berechman, 2009.)The investment budget is a system for making deals between the government (the employer) and the implementing agency, as the employer puts forward the projects that you want to establish to the public and private sectors in the form of tenders to obtain contractors who implement these projects and programs at a lower cost and promptly. Provided that these programs and projects achieve the objectives and policies planned for them, (Jonathan Isham, 1999). The general budget reflects the program that the government will follow by applying it in the coming year. The general budget has accounting, control, administrative and planning purposes. These purposes complement each other , (Victor, 2014).

It is represented by Planning and controlling the investment projects that result from it, such as obtaining new fixed assets or developing and replacing old assets in line with contemporary technological developments. (Zenia, 2017)

Second - the objectives of the investment budget

The objectives of the investment budget are as follows: (S N Nikulina¹, 2019)

- 1- It aims to achieve more effective control over implementation processes by comparing revenues and expenditures with budget estimates, analyzing differences and proposing corrective measures. We are restructuring the economy and creating job opportunities and new sources of income.
- 2- They are raising the standard of living and eliminating poverty lines according to human development indicators (Al-Baydani, 44: 2010).
- 3- Overseeing the redistribution of national income to achieve social justice by increasing spending on projects to develop poor areas and paying attention to low-income families.
- 4- Availability of job opportunities for idle energies to increase their income, increase their purchasing power and obtain the required goods and services.
- 5- Increasing the financing of investment projects and taking care of them for the purpose of increasing national income, controlling and controlling the state's economic capabilities, and working to achieve balance for the classes of society and geographical regions.

Third - Project Quality:

The purpose of including any project in the state's general budget is to achieve specific goals according to the type and sector of the project. The service provided by these projects to the community is considered the most important of these goals. Citizens' satisfaction depends on these projects' ability to achieve society's requirements, in addition to paying attention to the quality component, (H. Kent Baker, 2010)

The quality should be available at all project stages and not be limited to one stage. This requires developing standards to guide them during the implementation process. Among these standards is the availability of various disciplines for the project work team. To achieve quality, the following should be done: (PongWong, 2010)

- 1- Analyzing and approving contracting documents.
- 2- All inspections and field visits that are carried out should be documented.
- 3- All records and photos showing correspondence and notes between the work team must be kept.
- 4- Conduct laboratory tests for all raw materials that are used.
- 5- Preparing a guiding guide to be inferred to ensure the safety of the workflow.

Fourth - the stages of preparing the investment budget:

The preparation of the investment budget goes through several stages that can be summarized as follows:

The first stage is the planning stage: project planning is the strategy that should be followed in completing the business to obtain a successful project (Akil Dakhil Karim Alaajibi, 2021). Planning is an essential step not only in managing operations but also in improving operations and management. Planning is thinking about what should be done at the beginning to achieve a goal or set of goals. The extent covered by the planning process varies according to the goals to be achieved, (Obst, 2017)

The process of preparing the investment budget is carried out according to The Ministry of Planning distributes the schedules of investment projects to ministries and

departments not affiliated with a ministry and its main and subsidiary departments: (Matteo Castiglioni, 2022)

- ❖ Sub-units fill in the tables and send them to the main departments associated with them.
- ❖ The main departments unify the tables and send them to the ministry, or the department is not linked to a ministry.
- ❖ The center of the ministry or the department that is not affiliated with a ministry fills in the schedules. It unifies them with the schedules of the departments affiliated with it.
- ❖ Sending consolidated tables from ministries and departments not associated with a ministry to the Ministry of Planning.
- ❖ The sectoral bodies in the Ministry of Planning study projects and discuss them with the beneficiaries. In light of this, the total and annual allocations for investment projects are determined.
- ❖ The Department of Governmental Investment in the Ministry of Planning prepares the investment part. It sends it to the Ministry of Finance to be unified with the operating budget to be submitted to the Council of Ministers and then to the House of Representatives for voting and approval by the Presidency of the Republic in order to be ready for implementation.

In the second stage: the financing stage: the state's general budget is financed from the expected revenues from the generated revenue sources (oil revenues, customs, taxes, fees, etc.).

The third stage: is the implementation stage: here, the implementation is carried out through the funding obtained from the Ministry of Finance and based on schedules by the concerned authority.

Fifth - Mechanisms for implementing the investment budget:

After approving the investment budget by the legislative authority, its implementation becomes mandatory for ministries and departments not associated with a ministry. (Huntley, 2014)

There are several mechanisms and methods for contracting, including:

- 1- Direct implementation method: that is, the engineering affairs department of the ministry and departments not affiliated with a ministry, through its existing staff, undertakes the preparation of studies and designs, determines costs, carries out construction and erection works and purchases and supplies materials and equipment necessary for the implementation of the project (Sultan, Ali, 1997: 184). The use of the direct execution method achieves advantages. (Taher et al., 2005: 256)
 - ✓ Lower costs and implementation time for projects compared to the contracting method, as direct implementation may be faster in completion.
 - ✓ Employing the material and human capabilities available in the Engineering Affairs Department, developing employees' skills and acquiring new skills.
- 2- Public Bidding Method: This method is implemented by public invitation through announcing to all those wishing to implement contracts of all kinds who meet the conditions of participation (Instructions for Executing Government Contracts No. (1) of 2008).

- 3- Direct invitation method: by direct invitation to no less than (5) five companies (contractors), and they are provided with bidding documents and documents free of charge.
 - If the contract is of a specialized nature or requires confidentiality in each contracting procedure or for security reasons.
 - To achieve speed and efficiency in implementation, especially in emergency and natural disasters, or prepare the necessary and life-saving medicines and supplies.

2- Types of control bodies on investment projects:

Below are the regulatory bodies that monitor and audit investment projects in Iraq:

- 1- Control and internal audit agencies: represented by a set of procedures and policies set by the senior management to achieve its objectives, implement its plans, detect deviations, and take the necessary corrective actions in their regard, as well as preserving assets and ensuring the application of laws and instructions for better use and the distribution of powers and responsibilities for matter and control. Audit Guide No. 4, Financial Supervision Bureau). The external auditor examines the internal auditing devices in the unit, sees the plans of the internal audit, knows its works and procedures used, and looks at the laws and instructions related to the unit And the internal audit is a basic and essential process of the processes that control the accounting procedures of the units. It is represented by a group of operations that affect and are affected by the unit's board of directors and the administration to give reasonable assurance about the extent to which the objectives are achieved and the extent of compliance with the laws and regulations ,

As for the Institute of Internal Auditors, an internal audit sees it as an objective activity designed to improve the unit's operations and achieve its objectives , (Ali, Abd, & Kareem, 2022)

- 2- Offices of the Inspector General: The offices of the Inspector General have been working to carry out audits, monitoring and verification in all government institutions to prevent cases of waste, fraud and abuse of power and public money since 2004 under Order No. (57) for the year 2004 issued by the Coalition Provisional Authority, (Abd, Kareem, & Kadhim, 2019)
- 3- Federal Office of Financial Supervision: The Federal Office of Financial Supervision, based on the powers entrusted to it by the legislative authority represented by the House of Representatives, supervises all government institutions to preserve public money and help strengthen the economy. Article 5 of the Federal Office of Financial Supervision Qom stated (31) for the year 2011 amended that the Board is a financially and administratively independent body with a legal personality and is the highest financial and control body linked to the House of Representatives, and is represented by the Chief of the Board or his authorized representative. (Abbas, Kareem, & Abd, 2021)

And that independent persons carry out this type of audit to examine and audit public spending transactions to ensure that they are safe and that they do not exceed the appropriations allocated to them in the general budget, use the funds properly, and express an opinion on the financial statements and reports related to business results.

One of the reports prepared by the Financial Supervision Bureau is the contract audit report through auditing contracts concluded by government institutions with other agencies. Oversight, which is one of its main objectives, seeks to control and rationalize spending to achieve the required goals with fewer Costs and the need to review contracts and tenders for investment projects from a financial and legal point of view to upgrade the state's economic development plans , (Kareem, Jab, & Abd, 2022)

- 4- Government Contracts Department: The Contracts Department in each ministry is responsible for following up the procedures for executing public contracts concluded by these entities and exercises its duties in accordance with the provisions of the Contracts Law issued by the Coalition Provisional Authority No. (87) of 2004 (Instructions for Implementing Government Contracts No. 1 of 2007).
- 5- Ministry of Finance: The oversight of the Ministry of Finance monitors the allocations and amounts granted periodically to ensure that the funds are used for the intended purpose, in addition to following up on the budget implementation.
- 6- The Ministry of Planning (monitoring the investment plan projects) evaluates the projects' economic and technical feasibility studies, approves the deletion and creation orders requested by the concerned authorities, changes the approved annual allocations, and periodically displays the total actual investment expenditures.
- 7- The Integrity Commission's goal is to prevent and combat corruption, and it has its own legal means to achieve it. Violations diagnosed by the Financial Supervision Bureau, in which public money waste, or some violations that have not been addressed, are referred. Complaints submitted by other parties are also considered, as investigators investigate these cases under the supervision of the competent investigative judge.

It can be said that the audit carried out by the various authorities is an important factor in verifying the integrity of the technical and financial plans established for projects after the actual implementation process by comparing the accomplished with what is planned, in addition to providing the audit teams with qualified technical elements so that the audit is not limited to the financial aspects.

The Fourth Axis: The Applied Aspect

This research was applied in one of the public universities, as the investment budget is of great importance in service units, which requires more effort to prepare and implement. Planning did not stop drawing up the plan but included following up on its implementation. So one of them is linked to the other, as Planning and preparation are considered the first link in this chain. One of the procedures for drawing up the investment budget and the Ministry of Planning in Iraq undertakes the task of preparing these budgets after unifying them for the projects proposed by ministries and departments not associated with a ministry, so it studies them and determines the material and human capabilities. Still, the reality of the situation shows us many projects that were not at the required level.

The following:

First: *The contracted projects in the research sample:*

number of projects	total cost (1)	total expenses (2)	The ratio 1/2
1	13000000000	6443540818	50%
2	10000000000	9636261808	96%
3	2800000000	2265663233	81%
4	5000000000	3353742354	67%
5	10000000000	8478011736	85%
6	11500000000	8329880730	72%
7	9500000000	4544810812	48%
8	16000000000	8253610773	52%
9	4000000	3453252655	86%
10	350000000	349114000	10%
11	5200000000	2362517110	45%
12	3000000000	2907642231	97%
13	7000000000	1246936000	18%
14	6000000	-	-
15th	--	351582370	-
16	---	517779465	-
17	6000000	696520400	12%
18	6000000	862984,000	14%
19	6000000	1295592500	22%
20	42 billion	2076967327	0.49%
21	5000000000	4932064227	99%
Total implementation rate			42%

It is noted from the above table that:

1. The overall implementation rate amounted to 42%, and this percentage is very low, which indicates the weak performance of the control and audit agencies in following up on the implementation of long-term projects in the investment budget of the research sample.
2. The number of lagging long-term projects reached (14) investment projects and a total amount of (55,632,792,280) dinars. The reasons for the suspension are the financial crisis, which led to the suspension of projects and some due to the financial and technical inefficiency of the executing companies. Therefore, the employer must book the good implementation bonds received from the faltering companies and seize all equipment belonging to the reluctant company until all matters related to it are resolved.
3. The number of operational advances owed by the contractors amounted to (2,824,200,799) dinars, and this amount belongs to some lagging and stalled projects that owed operational advances were not paid by the contractors (executing companies), and the research sample did not demand them

Second: *the regulatory bodies' procedures to implement the follow-up of investment projects.*

- Examining and auditing public spending transactions to ensure their integrity and not exceed the appropriations set for them in the budget, the use of public funds for the purposes designated for them, and the absence of waste, waste or misuse of them, and evaluating their returns.

- Examine and audit the evaluation and verification of public resource collection to ensure the appropriateness of the approved procedures and the soundness of their application.
- Providing technical assistance in the areas of accounting, control and administration, and related organizational and technical matters
- Evaluate the macroeconomic and financial plans and policies established to achieve the objectives.
- Finally, in the case of good Planning by all relevant authorities, the fact that correct Planning leads to correct implementation, in addition to relying on the process of referring projects on more accurate standards such as financial and technical efficiency, availability of mechanisms and equipment, and that he has similar works and focus on the extent of his contractual obligations with other parties, as well as That the oversight bodies have an opinion on all matters, as this leads to proving the validity of the hypothesis that the oversight and audit bodies have an effective role in the supervision and control process and reduce the influencing factors that lead to poor implementation of investment projects.

Fifth Axis: Conclusions And Recommendations

First: the conclusions:

- Inaccuracy in planning by the responsible authorities in preparing the speculative statements and the lack of an internal audit role in the assignment of projects led to the issuance of multiple spare orders (deletion and creation orders) for the same project, which in turn led to delays in completing projects or increasing their costs.
- The lack of effective audit procedures for the regulatory agencies charged with auditing investment budget projects.
- Reliance is made on the differentiation between the competing companies to obtain the tender at the lowest cost (lowest bids) and the shortest period without regard to financial and technical efficiency, similar works, contractual obligations and other important criteria.

Second - Recommendations:

- The responsible authorities in the university should make more efforts for preparation and good Planning when preparing the speculative statements to limit the issuance of spare orders later for projects, except in necessary cases.
- There should be an audit program with the regulatory agencies in charge of auditing investment budget projects.
- More accurate weighting criteria should be used, such as financial and technical efficiency and similar works and the extent of its current and previous contractual obligations in the implementation of works with other entities to differentiate between the advanced companies and not rely on companies that offer the lowest cost (lowest bids) or the shortest period.

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