The role of effective planning and control in improving budget performance: A field study on independent bodies in Iraq

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Abstract

The study aimed to present a proposed approach to using the integration between the economic value and balanced scorecard methods to increase planning and control and improve the performance of the budgets of independent government bodies, and to provide a number of results and recommendations to guide economic decision makers to improve the investment climate and increase and improve the economic performance of independent government bodies. The study adopted the descriptive analytical approach, and the practical approach was used to apply the integration of the economic value and balanced scorecard methods. The questionnaire tool was relied upon and distributed to individuals who work in non-profit organizations. The sample represented a simple random sample of workers, according to the sampling law. It included workers with university or postgraduate qualifications, and those with experience who may not hold university degrees, and the sample size was 367 individuals. The study reached a number of results, the most prominent of which are: Non-profit organizations implement program and performance budgeting by providing administrative and cognitive competencies, accurately planning expenditures and revenues, and carefully allocating available resources. Non-profit organizations implement zero-based budgeting by distributing available resources to non-profit work priorities. Profitability, and grouping projects according to the entity responsible for their implementation Non-profit organizations achieve the balance of planning and programming by linking the organization's goals with the general goals of the community and then planning programs according to them, finding methods to achieve them, and measuring costs.

Keywords: Planning, control, budget performance

Introduction

Although the state's general budget is considered an essential focus for achieving goals, whether economic or social goals that the state desires to achieve, and it is in fact a true translation of the implementation of economic and financial plans for the coming year, the general budget in the Republic of Iraq in general does not reflect the spending goal. The final accounts do not show achievements from the appropriations, and this requires moving from traditional oversight to comprehensive oversight based on the need for effectiveness of spending and the extent of its connection to the targeted results. Therefore, the state's general budget method was presented. Based on the principle of balancing items and appropriations, it has received a number of criticisms, and is considered sufficient reason for that. Among these criticisms, the most important is the lack of clarity about the objectives to which financial allocations are allocated, and their failure to link them to strategic development plans. The Iraqi Constitution indicates that independent bodies in Iraq are “bodies that have financial and administrative independence and are directly linked to the highest legislative authority, whether the House of Representatives or the Council of Ministers, without being linked to a specific ministry.” He defined this type of budgeting as organizational systems that depend on a comprehensive scientific program, requiring integration and integration between economic and administrative concepts. These systems seek to maintain public facilities and improve their efficiency, with a focus on achieving effectiveness from the results achieved from this program. For example, the Iraqi Financial Supervision Bureau is a living example of this type of budgeting.
It can be used as a comparative case to understand how to apply comprehensive scientific programs in the context of financial control, focusing on enhancing efficiency and achieving targeted objectives (Rashid, 2012, 250) [10].

Chapter I
Research Methodology
The study problem and its questions
In light of modern trends in accounting thought and the necessity of applying transparency and accountability, there is a need to increase oversight procedures when preparing the budgets of independent government bodies, so that the budget is more effective in achieving its goals, not only the ability to collect information and opinions about resources and needs, but the ability to direct and manage this information in the form of items. Spending serves the interest of the citizen through achieving the principle of participation in decision-making, determining the methods of its implementation and actual implementation, then evaluating the implementation results in the form of an integrated budget process, whether in preparation, implementation or oversight, in which all parties have an effective role. Although a number of independent bodies are considered productive, as they have great capabilities to finance their budget, they nevertheless have allocations within the general budget, and among these bodies are the Shiite and Sunni endowment offices, which own many assets spread throughout the various governorates of Iraq, which must be financed and the financial and monetary policy maker stands on it for a long time.

Accordingly, the researcher will try to benefit from the advantages of integration between economic value and the balanced scorecard method through the planning, control, accountability and performance improvement processes that will be provided in developing the method of preparing the state’s general budget in a way that provides oversight of the state’s resources and planning and ensures optimal use after the criticism directed at the system increased. Balancing items and appropriations, from which the researcher poses the following question:

What is the role of planning and control and its effectiveness in improving budget performance?

Objectives of the study

- Providing a proposed approach to using the integration between the economic value methods and the balanced scorecard to increase planning and control and improve the performance of the budgets of independent government bodies.
- Providing a number of findings and recommendations to guide economic decision makers to improve the investment climate and increase and improve the economic performance of independent government bodies.

The importance of the study

- Integrating two different administrative accounting methods, namely the economic value methods and the balanced scorecard, and using them to introduce appropriate developments in the method of preparing the state’s general budget in general and the budget of independent bodies in particular.
- The practical importance of providing the applied basis for preparing the state’s general budget in general and the budgets of independent bodies in particular in an advanced manner.

Study limitations and determinants

- Time limits: Academic year 2023 - 2024 AD.
- Spatial boundaries: A number of non-profit organizations.
- Human limits: A simple random sample of workers in the organizations under study.
- Objective limits: The study will focus on the budgets of independent bodies in Iraq, without addressing the state’s general budget in general except within the limits required by the research.

Study hypotheses

The study is based on the following main hypothesis

- The integration between the economic value method and the balanced scorecard cannot be used to increase the effectiveness of the performance of independent bodies’ budgets.

Therefore, the following sub-hypotheses can be derived

- There is no effect of the economic value method on increasing the effectiveness of the performance of independent bodies’ budgets.
- There is no effect of the balanced scorecard method on increasing the effectiveness of the performance of independent bodies’ budgets.

Chapter II
Theoretical framework

First: What are the independent bodies in Iraq

Independence means that independent bodies are not subject to oversight, whether presidential or custodial, nor do they receive any orders or recommendations from another party. In addition, the executive authority does not enjoy complete freedom to isolate its members. On the other hand, independence does not mean that they operate in isolation from governmental goals and objectives desired; Rather, they are bodies supporting the government. They are regulatory institutions with independent legal personality, established under their own laws, and have the ability to make their decisions independently without direct interference from the government, aiming to achieve goals according to their jurisdiction. The definition can be expanded to include some additional aspects (Hanafi, 2000, 16) [7].

How are members of independent bodies appointed in Iraq?

The Iraqi Constitution stipulates the existence of several independent bodies that have legal personality, are financially and administratively independent, and are subject to parliamentary oversight. Among these bodies are: the Federal Accounting Authority, the Federal Authority for Competition and Antitrust, the Federal Communications and Media Authority, the Federal Integrity Authority, the Federal Authority for Human Rights, the Federal Banking Authority, the Federal Energy Authority, the Federal Water Authority, the Federal Transportation Authority, the Federal Insurance Authority, the Federal Securities Authority, and others (Hadri, 2006, 6) [5]. The mechanism for appointing members of independent bodies varies depending on the type of body and the law that regulates it. In general, independent bodies can be divided into three types according to the method of appointing their members: 1-
Independent bodies whose members are appointed by decision of the Prime Minister or the Council of Ministers, such as: the Supreme Planning Authority, the Supreme Authority for Human Development, the Supreme Authority for Education and Scientific Research, (George Fodal, 2001, 33) [4].

Independent bodies whose members are appointed by nomination from the Board of Trustees or the Supreme Council of the Authority, such as: the Federal Accounting Authority, the Federal Competition and Antitrust Authority, the Federal Communications and Media Authority, the Federal Integrity Authority, the Federal Human Rights Authority, the Federal Banking Authority, the Federal Energy Authority, the Federal Water Authority, and the Federal Transportation Authority. The Federal Insurance Commission, the Federal Securities Commission, (David K., 1998, 65) [13].

Independent bodies whose members are appointed by nomination from the House of Representatives or a parliamentary committee, such as: the Independent High Commission for Elections, the National Commission for Accountability and Justice, the High Commission for National Reconciliation, and others. (Khalil: 2007, 6) [8].

Objectives of independent bodies
The objectives of independent bodies can be divided into three main types:

1. Ensuring independence and transparency: Independent bodies aim to achieve a high degree of independence and transparency, with the aim of ensuring credibility and integrity in their performance. (Hadri, 2006, p. 20) [3].

2. Achieving justice and individual rights: Some independent bodies focus on protecting individual rights and achieving justice in certain areas such as: human rights, economic, cultural, religious, moral, national, international and other rights (Hanafi, 2000, p. 31) [7].

3. Regulating vital sectors: Some independent bodies seek to regulate and supervise vital sectors such as: economic sectors, social sectors, cultural sectors, religious sectors, moral sectors, national sectors, international sectors, and others (Shalabi, 2009, 2) [14].

Second: Methods used to evaluate the budgets of independent bodies
Economic value method and balanced scorecard.

The concept of value creation
Values express the principles that guide any institution towards achieving its goals, and on this basis, every institution must determine the values that are consistent with its vision and directives. They are not only values that benefit the organization but also reflect its commitment to improving profitability. Given the environment in which the organization operates, these values are oriented towards sustainability and positive interaction with the social and economic surroundings (Neven, 2015, 98) [1]. It can be said: The concept of value creation is no longer easy to achieve for shareholders within and business organizations (Al-Saeed, 2004, 3) [11]. Therefore, choosing the optimal management accounting system for management focuses mainly on the cost factor, benefit, and harmony of goals, which means the harmony of the goals of the organization’s employees with the goals of senior management, in addition to the effort exerted by management to achieve the organization’s goals, and what is called the management approach based on value creation. With the aim of creating a mutual relationship between the institution and its stakeholders. From the above it is clear that the concept of value and value creation is of great importance in the financial arena.

The concept of the balanced scorecard
Intense interest in the idea of balanced performance appraisal began in 1992 when Robert Kaplan and David Norton published an article in the Harvard Business Review (Harvard Business Review) Harvard Business Review. In this article, Kaplan and Norton presented a new idea of performance measurement, in which they argued that traditional financial evaluation is not sufficient to measure the overall performance of organizations. They suggested using the “Balanced Scorecard” as an evaluation tool that takes into account several aspects of performance, including the dimensions: financial, learning, customer and operations. David defined it: It is a technical evaluation and control strategy that focuses on balancing financial indicators with evaluating strategic performance, and seeks to achieve balance for indicators, both financial and non-financial, (David, 2009, 135) [10] It is also an administrative system that helps owners and managers transform the vision and strategies of institutions a number of interconnected goals (Najm, Ahmed, 2019, 253) [3].

Compatibility between the economic value index and the components of the balanced scorecard
It is clear that the economic value model and the balanced scorecard agree in providing information that is the basis for making rational decisions, because the financial and administrative philosophy is characterized by two basic things: knowledge and relationships or the ability of the facility (The authority) to achieve the goals of its customers or beneficiaries. Therefore, the strategic performance measures of the facility Or the Authority must be integrated with operational performance measures to achieve the Authority’s strategic objectives. Aguilar believes that there are five basic dimensions for achieving and maximizing value: (Aguilar, 2003, 43) [15].

1. Strategic planning: This is done through the preparation of a clear and accurate work plan and is disseminated at all levels within the facility (the authority). It helps in unifying efforts towards achieving strategic goals, and is an essential part of the performance management process.

2. Performance measurement: This is done by setting performance measures that enable management to know the extent of achieving the planned goals. The organization’s performance measures can include a variety of indicators that show its performance in several areas.

3. Integration of work planning: It indicates the importance of integrating all activities and efforts within the facility. This includes integrating operations plans, budgeting, and profit forecasting.

4. Preparing periodic administrative reports: This aims to help management clarify the actions that must be taken. Preparing periodic reports enhances understanding of the facility’s current performance and provides management with the data and information necessary to make effective decisions. It has many benefits.

5. Organizational culture: A supportive culture must be developed to achieve goals guided by values and
strategic vision. Encouraging cooperation and interaction between individuals within the Authority is an essential part of this culture, in order to motivate teams and individuals towards achieving their goals and facilitate the implementation of defined strategies.

Integration between the economic value index, the balanced scorecard, and performance evaluation
As previously mentioned, the balanced scorecard relies on a set of indicators that help evaluate comprehensive performance to enhance the value and status of bodies and institutions. Therefore, the importance of adding the economic value indicator to the card is highlighted because it is considered a comprehensive indicator and more reliable than other traditional indicators because it is based on the concept of real economic profit rather than profit. Accounting, with the aim of reaching an effective evaluation of the performance of independent bodies that helps in overcoming and overcoming the defects of traditional indicators that may affect achieving the goal of the scorecard in evaluating performance and increasing its effectiveness. The creativity and excellence that the research is expected to achieve is how to create the integration of the economic value model and the balanced scorecard. The foundations of their application within independent bodies and the effectiveness of this integration in evaluating strategic performance, considering that the two models are among the most contemporary models for evaluating performance. The design and application of the performance card stems from the strategy of the bodies or institutions, and the card’s objectives represent reaching an effective evaluation and increasing the value of the body by achieving its strategy. Therefore, it was natural for the bodies to choose an effective indicator through which the extent of achieving the basic goal of the required strategy is evaluated. (Ropert, 2004, 89) [18]

Chapter III
The practical side
First: Study methodology: The quantitative approach was adopted, as it is preferable to follow it in specific and highly objective causal relationships, and the questionnaire tool was relied upon.

Second
Study population and sample
The population consists of all individuals who work in nonprofit organizations, and their total number is 7,899 individuals. The sample represented a simple random sample of workers, according to the sampling law. It included workers with university or postgraduate qualifications, and those with experience who may not hold university degrees, and the sample size was 367 individuals.

Third
Testing the validity and reliability of the measures
Calculating scale stability
The researcher relied on Cronbach's alpha method to evaluate the reliability of the measures according to the statistical program SPSS V23. Cronbach's alpha coefficient is estimated at values ranging between 0 and 1, as the minimum acceptable limit for scale reliability in social studies is 0.60.

Table 1: Cronbach’s alpha coefficients

<table>
<thead>
<tr>
<th>N of Items</th>
<th>Cronbach’s Alpha</th>
<th>Paragraph</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>.928</td>
<td>Financial axis</td>
</tr>
<tr>
<td>7</td>
<td>.912</td>
<td>Customer axis</td>
</tr>
<tr>
<td>6</td>
<td>.821</td>
<td>Internal operations hub</td>
</tr>
<tr>
<td>7</td>
<td>.832</td>
<td>He focus of learning and growth</td>
</tr>
<tr>
<td>6</td>
<td>.660</td>
<td>Social axis</td>
</tr>
<tr>
<td>6</td>
<td>.956</td>
<td>Economic value</td>
</tr>
<tr>
<td>6</td>
<td>.950</td>
<td>Balancing programs and performance</td>
</tr>
<tr>
<td>6</td>
<td>.964</td>
<td>Zero-based budgeting</td>
</tr>
<tr>
<td>6</td>
<td>.950</td>
<td>Balancing planning and programming</td>
</tr>
<tr>
<td>6</td>
<td>.950</td>
<td>Balancing items</td>
</tr>
</tbody>
</table>

SPSS analysis results
It is clear that all Cronbach's alpha values are > 0.60, meaning that the scale is characterized by validity and internal consistency.

Table 2: Testing the validity of the scale

<table>
<thead>
<tr>
<th>KMO test</th>
<th>Questionnaire axes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moral</td>
<td>Degrees of free</td>
</tr>
<tr>
<td>0.000</td>
<td>36</td>
</tr>
<tr>
<td>0.000</td>
<td>21</td>
</tr>
<tr>
<td>.000</td>
<td>15</td>
</tr>
<tr>
<td>0.000</td>
<td>3</td>
</tr>
<tr>
<td>.000</td>
<td>15</td>
</tr>
<tr>
<td>0.000</td>
<td>6</td>
</tr>
<tr>
<td>.000</td>
<td>6</td>
</tr>
<tr>
<td>.000</td>
<td>3</td>
</tr>
<tr>
<td>.000</td>
<td>1</td>
</tr>
</tbody>
</table>

Results of statistical analysis
It is noted that the value of the (kMO) scale exceeds 0.5, and the value of the Bartlett test is less than 0.05. Based on these results, it can be said that there is a significant statistical correlation between the studied variables, which highlights the importance of conducting statistical analysis on them.
The budget is applied with the aim of rationalizing expenditures and increasing the efficiency of achieving goals. The Authority seeks to improve the quality of its services and increase economic value through a variety of initiatives.

The Authority works to adopt new creative ideas that can enhance service delivery and customer satisfaction. The Authority supports educational projects and programs in the community to foster learning and growth. The focus of learning and growth is on providing quality education and training to meet the needs of employees and the community.

The Authority works to continuously improve the satisfaction rate of its employees by meeting their needs in a manner commensurate with their abilities and qualifications. The Authority seeks to achieve a continuous increase in revenues by developing new business opportunities and expanding existing ones. The Authority supports community activities and programs to foster social values and enhance community services.

The Authority is keen to retain highly committed employees by motivating them to achieve their goals and fulfill their obligations towards the Authority. The Authority works to adopt new creative ideas that can enhance service delivery and customer satisfaction. The Authority supports educational projects and programs in the community to foster learning and growth.

The Authority aims to simplify the procedures for providing services and to increase the efficiency of achieving goals. The Authority works to adopt new creative ideas that can enhance service delivery and customer satisfaction. The Authority supports educational projects and programs in the community to foster learning and growth.

The Authority keeps pace with continuous changes in the field of service provision by ensuring that its services meet the latest standards and requirements. The Authority seeks to simplify the procedures for providing services and to increase the efficiency of achieving goals. The Authority works to adopt new creative ideas that can enhance service delivery and customer satisfaction.

The Authority is committed to supporting community activities and programs to foster social values and enhance community services. The Authority supports educational projects and programs in the community to foster learning and growth. The focus of learning and growth is on providing quality education and training to meet the needs of employees and the community.

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The Customer-oriented method, which is based on accurate and objective estimates of outputs and associated products in construction, relies on precise scientific planning and statistical analysis methods to provide accurate estimates of outputs and associated products.

The Law of Sampling To generalize the previous studies and results, the Law of Sampling was applied, which states that the sample is a representative of the population, and the results obtained from the sample can be generalized to the population.

In construction, the focus is on future estimates and not only on historical information. The budget helps measure the costs of programs and projects in the long term, which contributes to achieving long-term planning that helps achieve the goals of interim plans.

To test the main hypothesis and its sub-hypotheses, multiple regression analysis was applied and the results were presented as follows:

Table 4: Summarizes the results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>The coefficient of determination</th>
<th>Modified coefficient of determination</th>
<th>Evaluation errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>0.973*</td>
<td>0.947</td>
<td>0.946</td>
<td>0.28336</td>
</tr>
</tbody>
</table>

Predictors: (Constant), The social axis, the internal operations axis, the customer axis, the learning and growth axis, and the financial axis.

From the results summary table, we find that the value of the correlation coefficient is 0.973 and the value of the coefficient of determination is 0.947. Therefore, the relationship is very strong between the axes of the balanced scorecard (the social axis, internal operations, customers, learning and growth, financial) and there is an excellent explanatory power for the balanced scorecard, but it is only the extent of the possibility of generalizing the results drawn, which is what is called statistical significance in statistics. The analysis of variance methodology has been applied, as it is one of the most famous methods used in such cases, which relies primarily on the least squares method.

Table 5: Analysis of Variance ANOVA*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>DF</th>
<th>Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>518.829</td>
<td>5</td>
<td>103.766</td>
<td>1292.311</td>
<td>.000p</td>
</tr>
<tr>
<td>Residual</td>
<td>28.986</td>
<td>361</td>
<td>.080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>547.815</td>
<td>366</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the variance analysis table shown previously, we find that the sig value did not exceed 5%. Therefore, according to the laws of hypothesis testing, the calculated value F falls within the region of rejecting the null hypothesis and we accept the alternative hypothesis that says (There is a fundamental effect of applying the balanced scorecard in improving the performance of non-profit organizations).

To test the sub-hypotheses, a table of regression coefficients was created according to the least squares method, which is shown in the following:

Table 6: Regression coefficients for the variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.374</td>
<td>.067</td>
<td>5.631</td>
<td>.000</td>
</tr>
<tr>
<td>Financial</td>
<td>1.488</td>
<td>.069</td>
<td>1.320</td>
<td>21.591</td>
</tr>
<tr>
<td>Customer</td>
<td>.064</td>
<td>.039</td>
<td>.053</td>
<td>3.635</td>
</tr>
<tr>
<td>Internal</td>
<td>.088</td>
<td>.033</td>
<td>.073</td>
<td>2.658</td>
</tr>
<tr>
<td>Operations</td>
<td>.658</td>
<td>.056</td>
<td>.459</td>
<td>11.664</td>
</tr>
<tr>
<td>Learning</td>
<td>.025</td>
<td>.189</td>
<td>6.002</td>
<td>.000</td>
</tr>
</tbody>
</table>

From the regression coefficients table we find the following:

- There is a moral effect of (The financial aspect) on improving the performance of organizations, and it is a positive effect. Increasing the level of (The financial aspect) by one unit will improve the organizations’ performance by 1.488 units.
- There is a significant effect of (Customer focus) on
improving the performance of organizations, and it is a positive effect. Increasing the level of (Customer focus) by one unit will improve the organizations’ performance by 0.064 units.

- There is a significant effect of (Operations axis) on improving the performance of organizations, and it is a direct effect. Increasing the level of (Operations axis) by one unit will improve the organizations’ performance by 0.088 units.

- There is a significant effect of (Learning and growth axis) on improving the performance of organizations, and it is a positive effect. Increasing the level of (Learning and growth axis) by one unit will improve the organizations’ performance by 0.658 units.

- There is a significant effect of (The social axis) on improving the performance of organizations, and it is a positive effect. Increasing the level of (The social axis) by one unit will improve the performance of organizations by 0.285 units.

Conclusions

From the above we conclude the following

- There is an application of the financial axis within the organizations studied, and it appears through providing financial information, following up on financial performance, and the organization’s adoption of a rationalization approach to spending.

- There is an application of the customer focus in the organizations studied, and it appears by keeping pace with continuous changes in the field of service provision and fulfilling their obligations towards customers.

- The researched organizations apply the internal operations axis and it appears through simplifying internal operations procedures regarding service provision, and providing their services with high quality and within the specified time.

- There is an application of the learning and growth axis in the organizations studied.

- Non-profit organizations demonstrate an application of the social axis by paying attention to all community requirements, and diversifying their social services to include all segments of society.

- Non-profit organizations implement program and performance budgets, provide administrative and cognitive competencies, and plan expenditures and revenues accurately.

- Non-profit organizations achieve a planning and programming balance by linking the organization’s goals with the general goals of the community and then planning programs according to them, finding methods to achieve them, and measuring costs.

- The organizations were able to achieve and implement the budget for items through careful control, following up on spending, linking inputs to outputs for work, and using scientific planning and statistical analysis methods.

Recommendations

- Non-profit organizations must be urged to enhance the follow-up of the financial performance implemented during one fiscal year, by raising the level of scrutiny between the actual performance achieved and the previously planned budget.

- Periodic lists must be prepared about all expenses, and aspects of waste must be identified, in order to avoid them later.

- Directing non-profit organizations to adopt the balanced scorecard model as an integrated approach.

- Linking the financial and non-financial aspects of organizational performance.

- The need to enhance the adoption of the latest technology because of its role in improving work.

- Follow appropriate motivational methods in order to increase the level of employees’ loyalty to the organization and their adherence to it.

- Redrawing future goals so that they lead to achieving added value to society.

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