

## **The Requirements of Activating the Role of Estimated Budgets in Supporting the Two Functions of Planning and Controlling at the Level of Local Units (An Applied Study on the Municipalities of Riyadh Region)**

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**Abstract:** The current study aims to identify the necessary requirements for employing the estimated budgets in supporting the two functions of planning and controlling in the Saudi municipalities. To achieve these objectives, the case study and descriptive analytical methods are adopted. A questionnaire has been used as a tool to collect data. Also, Statistical Package for the Social Science (SPSS) is used in order to analyze data. The study concluded that, one of the most important requirements for using the estimated budgets in supporting the functions of planning and controlling is the used scientific methods in preparing the estimated budgets. Based on the aforesaid conclusion, the study set a number of recommendations which are: using scientific methods in preparing the estimated budgets in the Saudi municipalities, urging budget-makers to review the budget clearly and effectively and to implement a good system to motivate employees in Saudi municipalities to prepare budgets and providing modern techniques for preparing and implementing the estimated budgets in the Saudi municipalities.

**Key words:** Estimated budgets, planning and controlling, municipalities, modern techniques, functions, requirements budgets

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### **INTRODUCTION**

Budget is one of the most important financial planning methods used by public and private institutions through which these institutions can control and monitor their various processes. This is done through developing a future vision for all expected works of the institutions. There is an increasing interest in budgets in local units and municipalities.

The estimated budgets are not only a financial statement but they have become a plan that reflects the funding of administrative activities to be implemented during the year.

The importance of study lies in linking between budgets and the functions of planning and controlling in Saudi Arabia's municipalities with application on the municipalities of Riyadh Region. The framework of administrative and financial performance includes the ability of local councils in Saudi Arabia to control and plan not only identifying the use of budget estimates but also developing standards and indicators by understanding the mechanism of preparing budgets in the municipality and linking between the estimated budgets and the planning and controlling functions. The most prominent of these criteria are: the extent of the participation of the members of the councils in preparing

the municipality's budget, the extent of the compatibility of the budget items with the plans prepared by the council, the extent of follow up of the plans through the estimated budgets and the extent of using estimated budgets in the control of the implementation of activities the municipality.

**Study problem:** The estimated budget is an indispensable function in the management of the organization. This function is based on the work of periodical estimated budgets. Although, municipalities in Saudi Arabia put their budgets on an annual basis, the extent to which these budgets are used as a means of planning and controlling is still vague. This was due to the lack of knowledge of the basic requirements that ensure compatibility between the general and annual plans of the municipal councils and the estimated budgets established by the beginning of each year and the lack of knowledge of the necessary requirements of the municipal councils to benefit from the preparation of the estimated budgets in support of the functions of planning and controlling. Thus, poor financial planning may be one of the main reasons for failure to achieve the desired goals which weakens the ability of the elected councils to control the activities of municipalities and review their plans. This leads to a gap between planning, implementation and

controlling, given the recent experience of local councils in Saudi Arabia. In this context, the research problem of the study is the following question: what are the necessary requirements to activate the role of the estimated budgets in supporting functions of planning and controlling applied to municipalities in the Kingdom of Saudi Arabia?

**The objectives of the study:**

- Identifying the necessary requirements for employing the estimated budgets in supporting the two functions of planning and controlling
- Determining the obstacles that limit the effectiveness of the budgets as a tool for planning and controlling in the Saudi municipalities

**The importance of the study:** Theoretically, the importance of the current study stems from the fact that previous literature dealt with this topic was scarce. Practically, the study seeks to develop recommendations to help in increasing the effectiveness of the estimated budgets in support of planning and controlling functions in Saudi Arabia.

**Literature review:** The study by Abdel-Fattah *et al.* (2014) aims to highlight the importance of the role of municipal budgets in planning, controlling and rationalizing expenditures in municipal councils and improving their ability to implement service and productive projects to serve the members of the local community and raise the level of satisfaction among citizens with the services provided by these councils. Consequently, the burden on the state and its general budget is reduced. A questionnaire was designed and distributed at the administrative levels related to the process of preparing, implementing and controlling of budget in the municipal councils. The SPSS program was used for statistical analysis. The study concluded that, there is an increasing interest in budget and its importance in planning and controlling. Also, there is a trend towards adopting the scientific methods in preparing and controlling budget. The study recommended that the scientific methods must be used in preparing budgets to increase its effectiveness as a tool for planning and controlling and increase employees perception and awareness of the importance of budgets and its role in rationalizing expenditure.

The study by Iman El Henini and Bilal Badran aims to identify the role of using the estimated budgets in improving planning, controlling and decision-making in the joint-stock agricultural companies in Jordan. A questionnaire has been distributed to 70 respondents

working in agricultural companies. The SPSS program has been used in the statistical analysis. The study concluded that most target companies do not adopt the estimated budgets. The target sample was convinced that these budgets lead to improved planning function in the target companies. Also, the study proved that the estimated budgets improve the function of controlling as it contributes to reducing the occurrence of the administrative crises. The study recommended that more financial and accounting studies relating to the agricultural sector should be conducted. Also, using the estimated budgets in the processes of planning, controlling and decision making must be enhanced and supported in Jordan's agricultural companies.

The study by Waleed Zakaria Siam aims to determine the extent to which estimated budgets are used in planning, controlling and decision making in the Jordanian joint-stock pharmaceutical companies. This is done by identifying the contribution of the estimated budgets in helping the administration in the performance of the administrative functions and studying the practical reality of their use. To achieve the objectives of the study, a questionnaire was designed and distributed to financial managers in accounting departments. The number of 70 questionnaires has been distributed. The results of the study showed that, the estimated budgets help the management in performing its administrative functions and that the managements of the companies recognize the importance of using the estimated budgets in planning, controlling and decision making processes. It was found that there are many obstacles that limit the optimal use of the estimated budgets. One of the most important obstacles is lack of confidence in the predictable numbers and contained in the estimated budgets.

The study by Salem Hals aims at identifying the extent to which the budget is used as a planning and controlling tool in Palestinian civil society organizations in the Gaza Strip in Palestine. A random sample of 100 institutions has been selected. A questionnaire has been used to collect data. The researcher concluded that most Palestinian civil society organization have long-term plans and prepare budgets to achieve the objectives of the institutions in general and benefit from the budget as an effective tool for allocating resources.

The study by Al-Zu'bi (2004) aims to identify the role of budgets in planning, controlling and in evaluating the performance of the municipal units in Jordan. The study also aims to evaluate the efficiency of municipal units in planning their activities and evaluate their effectiveness. The study concluded that the budgets were not based on the rules of scientific management in the conception and method of work. Also, the current budgets are not a tool

to reduce expenditure or rationalize decisions in a manner that ensure the achievement of the objective of budget at the lowest costs. The study recommended the importance of assisting the central government of municipalities to prepare their plans and programs and assist them in achieving plans and doubling the process of evaluating performance and make it a meaningful process.

The study by Al-Dosari (2014) aims at finding out the extent of the success of the Saudi electoral experiment and its contribution to the development of municipal units in Riyadh Region. A sample of 186 respondents was used. The study used the descriptive approach. It also used the correlation coefficient to analysis data. The results showed that, the participation of citizens led to the increase of administrative and supervisory performance of municipal councils. The study revealed the existence of obstacles that may limit the participation of citizens in the municipal elections such as delayed implementation of some projects. The study also found that, there is a directly proportional relationship between the degree of participation of citizens in municipal elections and the development of the performance of municipal councils. The study recommended that the systems of the municipal councils should be updated and developed according to economic and social developments. In addition, the powers of the municipal councils must be increased, enabling them to perform the functions stipulated by the system efficiently and effectively.

The study by Al-Rahili (2009) examined the experience of the first municipal councils from (1426-1430 H) and recognized the achievements made under the powers granted to them. The study was applied to the municipal councils in the Riyadh Region which numbered 48 councils and 445 members. It used the descriptive analytical method. The study found that, the General Directorate of Municipal Councils in the Ministry of Municipal and Rural affairs determines the criteria of the performance evaluation for municipal councils in Riyadh. The extent of the general satisfaction of citizens ranked last. The study indicated that there is control over the performance of municipal councils in the Riyadh Region. The first source of this control is the Ministry of Municipal and Rural affairs while the last source is the population and local voters. The study recommended that, municipal regulations must be updated and developed according to economic, administrative, social and political developments.

The study by Mohamed Nasr Mehanna aims at addressing some aspects of local administration in Saudi Arabia. The study concluded that the Saudi experience in the local administration is one of the best local Arab experiences. The state is doing its best to serve

the Saudi citizen. It also allocates huge budgets for his education, care and rehabilitation to take its natural place in the labor market. In particular, it encourages local national efforts to hold local positions. Furthermore, the study revealed that Saudi governments have developed their own laws and regulations related to local administration. Today, there is a dire need to consider the best ways to effectively develop the local Saudi administration and move forward in activating the experience of administrative decentralization in the localities and rebuilding the Saudi local work.

The study by Ali (2005) defined municipalities as: the body that is responsible, with the chairman of the board, for municipal researches. The chairman of the board exercises the researches of report and control and seeks to meet the daily needs of the citizen in a smooth and continuous manner.

The study by Anthony *et al.* (2004) defined budget as a quantitative expression of the inflows and outflows which describes the operating plan of the institution in order to meet the objectives of the financial institutions.

The study by Al-Nasser (2003) defined planning as: "A vision or prediction of the future. This requires a deep and accurate thinking of what can or should happen in the future".

The study of Griffin and Griffin (2002) defined control as: "the assurance that what is actually accomplished is identical to what was decided in the approved plan for goals, policies, procedures, the planning of budgets, work programs and timetables".

## **MATERIALS AND METHODS**

The case study approach has been adopted. Also, the functional construction approach also has been used because it deals with two basic functions of the budget, namely planning and controlling. Therefore, the stages of the budget are related to both functions. The questionnaire was used to collect data after examining it by a group of experts. The researcher interviewed respondents. The SPSS program was used for statistical analysis.

**The sample and community of the study:** The community of the study consists of all employees in financial managements in the municipalities of Riyadh which are 47. Due to the small size of sample (210 employees) and the limited study community, the research adopted the method of the comprehensive collection by applying the tool of the study to the entire study community. After field application, the researcher collected 189 questionnaires which is valid for the statistical analysis.

Table 1: Answers of respondents to terms of necessary requirements for employing the estimated budgets in support of planning and controlling functions. Answers are arranged in descending order according the approval means.

Series	Terms	Arithmetic mean	SD	Ranks
8	The scientific methods are used in preparing the estimated budgets	4.20	0.870	1
9	Review the budget clearly and effectively	4.17	0.969	2
7	Applying a good system to motivate employees in the reality of the estimated budgets	4.14	1.59.1	3
24	Modern techniques are available for preparing and implementing the estimated budgets	4.12	0.946	4
12	Rehabilitation and training of officials on the preparation of estimated budgets	4.11	1.048	5
6	Determining realistic and clear objectives for the estimated budgets	4.09	0.836	6
5	The conviction of chief executives of the importance of budgets in planning and controlling	4.06	0.826	7
3	Support from senior management of the municipality's budget	4.05	0.880	8
2	Budget design based on the organizational structure of the municipalities	4.03	0.869	9
4	Participation of chief executives in preparing the estimated budgets	4.03	0.902	10
14	Identifying projects to be implemented by reference to estimated budgets	3.98	0.931	11
10	Flexibility in implementing the estimated budgets	3.97	0.910	12
23	The required support for the preparation of the estimated budgets	3.97	0.956	13
22	Relationship between the actual performance and planned one based on the terms of the estimated budgets	3.96	0.895	14
19	Inform the members of the municipal councils of the estimated budgets	3.96	0.947	15
1	Independent departments for the estimated budgets in municipalities	3.93	1.021	16
20	There is accountability to departments and sections that fail to perform their tasks towards the implementation of budgets	3.89	0.911	17
11	There is a consensus between the estimated budgets and the strategic plan of municipalities	3.88	0.940	18
18	There are adequate formal channels of communication between councils and municipalities	3.79	1.059	19
15	Chief-executives have the power to modify the ongoing projects	3.77	1.060	20
17	Coordination between local councils and municipal ones during planning the estimated budgets	3.61	1.187	21
16	Chief-executives have the power to cancel some municipal projects based on the municipality's estimated budgets	3.57	1.140	22
13	Chief-executives have broad powers to transfer funding from one municipality to another as needed	3.46	1.165	23
21	All employees have the opportunity to participate in the reality of preparing the estimated budgets	3.43	1.281	24
	General average	3.92	0.964	

**Field study:** In order to identify the necessary requirements to employ the estimated budgets to support planning and controlling functions and to know the obstacles that limit the effectiveness of the budgets as a tool for planning and controlling in the Saudi municipalities, arithmetical means, standard deviations and rank have been calculated for respondents. The results were as shown in the following table.

- Using the scientific methods in preparing the estimated budgets
- Review the budget clearly and effectively
- Applying a good system to motivate employees to prepare the estimated budgets
- Availability of modern techniques for preparing and implementing the estimated budgets
- Rehabilitation and training of officials on the reality of the preparation of the estimated budgets

## RESULTS AND DISCUSSION

**First; Regarding the answer to the first question of the study:** What are the necessary requirements to activate the role of the estimated budgets to support planning and controlling functions applied to the local units in the Kingdom of Saudi Arabia? The results of the study showed that, respondents agreed on the necessary requirements to employ the estimated budgets to support planning and controlling functions. These requirements are:

Accordingly, the most important requirements for using the estimated budgets to support planning and controlling functions is the use of scientific methods in preparing the estimated budgets. This result explains that the use of scientific methods in preparing the estimated budgets enhances planning and its requirements which support the two functions of planning and controlling.

Therefore, the study found that the most important requirements for using the estimated budgets in supporting the functions of planning and controlling is the use of scientific methods in preparing the estimated budgets (Table 2).

Table 2: Answer of respondents to terms that indicate the obstacles that limit the effectiveness of budgets as a tool for planning and monitoring in the Saudi municipalities which are ranked in a descending way according to the averages of approval

Series	Terms	Arithmetic mean	SD	Rank
2	Lack of awareness of budgets in some municipalities departments	4.090	0.927	1
19	Lack of a good system to stimulate participations in the reality of preparing budgets	4.020	1.079	2
6	Lack of cadres with experience in preparing budgets	3.890	1.018	3
7	Lack of necessary information and statistics	3.860	1.003	4
9	Law and regulations	0.978	1.001	5
3	The belief that the budget is a punitive measure	3.800	1.001	6
1	Non-realistic budget estimates	3.780	0.964	7
10	Lack of support to implement and apply estimated budgets	3.150	1.045	8
5	Lack of proper standards for the preparation of budgets	3.740	0.957	9
14	Lack of scientifically and practically qualified administration to prepare budgets	3.690	1.127	10
17	Lack of an effective supervisory system on the works of municipalities	3.680	1.128	11
18	Lack of techniques and equipment to assist in preparing budgets	3.670	1.124	12
15	It is not possible to be guided by the estimated budgets for previous years	3.670	1.138	13
12	Not-making sure from the reality of available information and statistics	3.660	1.028	14
8	Not involving all departments within municipalities in preparing budgets	3.590	1.110	15
13	Lack of focus on the balance between revenues and expenditures	3.570	1.097	16
11	Lack of any administrative accountability for any department within municipalities	3.560	1.063	17
16	Lack of clear future plans for municipalities	3.520	1.090	18
4	Many members of the municipalities are not convinced of the estimated budgets	3.220	1.127	19
	General average	3.720	0.761	

**Second regarding answer to the second question of the study which is:**

What are the obstacles that limit the effectiveness of budgets as a tool for planning and controlling in the Saudi municipalities? The results showed that, respondents agree on the obstacles that limit the effectiveness of budgets as a tool for planning and controlling in the Saudi municipalities. These obstacles are as follows:

- Lack of awareness of budgets in some of municipalities departments
- The absence of a good system to stimulate participants in the reality of the preparation of the estimated budgets
- Lack of cadres with experience in the reality of the preparation of budgets
- Governmental laws and regulations

Respondents agree that one of the obstacles that limits the effectiveness of budgets as a tool for planning and controlling in the Saudi municipalities is that many municipalities members are not convinced of the estimated budgets.

One of the main obstacles that limits the effectiveness of budgets as a tool for planning and controlling in the Saudi municipalities is the lack of awareness of budgets in some municipalities administrations. This result explains the lack of awareness of budgets in some municipalities departments and then reduces their cooperation. This impedes the use of budgets as a tool for planning and controlling in the Saudi municipalities.

**CONCLUSION**

The estimated budgets have a great importance at the level of Saudi Municipalities from the point of view of employees. However, it is necessary to convince those involved in these works of this importance in all administrative stages whether planning, setting goals or controlling. Additionally, the latest technologies must be used in order to achieve the desired goals.

**Future studies:** Conducting comparative studies on the requirements of enhancing the effectiveness of the preparation of the estimated budgets in the Saudi and European Municipalities. Conducting future studies on required training needs for individuals who are researcherized to prepare the estimated budgets in the Saudi municipalities.

**RECOMMENDATIONS**

According to findings, the study recommends the following:

- Using the scientific methods in preparing the estimated budgets in the Saudi municipalities
- Urging those responsible for budgets to review the budget clearly and effectively
- Implementing a good system to motivate employees to prepare the estimated budgets
- Providing modern techniques for preparing and implementing the estimated budgets
- Rehabilitation and training of officials on how to prepare budgets

- Determining realistic and clear objectives for the estimated budgets
- Enhancing the conviction of chief executives of the importance of using the estimated budgets in planning and controlling

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