

Prospects for activating the role of auditors in certifying the reports of Algerian public administrations in the light of the shift towards the implementation of International Public Sector Accounting Standards (IPSAS).

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Abstract:

The purpose of this study is to determine the importance of activating auditing practices by contracting private firms to certify the reports of public administrations, in light of Algeria's shift towards implementing International Public Sector Accounting Standards (IPSAS) to rationalise spending.

To achieve this, a descriptive and analytical approach was adopted by distributing a questionnaire to a sample of stakeholders involved in the reform of the new public sector accounting system. The data were processed and analysed using SPSS V20.

The study found that external audit is very important in certifying the reports of public administrations in order to rationalise their expenditure and hold officials accountable, especially in the light of the transition towards the implementation of IPSAS. The role of the auditor in public sector accounting reforms is seen as an effective and independent mechanism that reflects the accuracy of financial statements. This cycle can only be completed by employing an internal audit unit in public administrations, especially in the context of activating the new public management for governance and digitalisation of public finances.

Keywords: External audit, Public administration reports, International Public Sector Accounting Standards (IPSAS), Certification.

INTRODUCTION

This study aims to modernise public administrations in line with global standards and advances in artificial intelligence. An effective accounting system is essential for the rationalisation of public spending, which benefits the national economy as a whole.

Among the tools to achieve this, the State, through the Organic Financial Law No. 18/15 of 2018, aims to implement reforms in the public administration sector and adopt public sector accounting standards, which consist of 17 international accounting standards. These are divided into 12 standards inspired by international public sector accounting guidelines and five standards derived from the French system and experience, which were established in 2006. In addition, Law 07-23 regulates public accounting for local authorities such as municipalities and hospitals, based on three types of accounting: general, analytical and budgetary.

These modern approaches must be accompanied by effective oversight, represented by external audits carried out by auditors for the certification of the reports of non-profit public administrations, rather than relying solely on the legal oversight of the Court of Auditors. The latter lacks the professional independence required by IFAC Standard 610.

We substantiate this with previous studies, both local and foreign. Most Algerian studies discuss the prospects and effectiveness of the adoption of International Public Sector Accounting Standards (IPSAS) and the legal oversight established under previous laws and regulations by the Court of Accounts. This study aims to explore the prospects of activating independent external accounting oversight, referencing studies that highlight the role of implementing accrual accounting (Arshid Al-Kharabsha, Mahmoud, and Al-Washah, 2020) and the study by Al-Husseini (2018), which emphasises the importance of auditing and performance oversight in municipal institutions to achieve sustainable development, with an applied research focus on the Municipal Directorate of Al-Muthanna Governorate. Furthermore, the study by Dr Arjwan and M. Q. D. Salah (2015) confirms the impact of the relationship between external and internal auditors, while the study by Enofe et al. (2013) identifies the role of internal auditing in the new management of the public sector.

In most studies, especially those belonging to the Anglo-Saxon system, we observe the need to transfer the characteristics and features of the private sector to the public sector, especially in its administrative form. This is supported by the study conducted by Hainous, Sekaki, Amiri and Houria (2021), which focuses on the implementation of internal audit in the Moroccan government, as established by Moroccan ministerial decisions since 2011. This initiative aims to modernise Moroccan public administrations through the application of good governance and a new public management model borrowed from the private sector. The study suggests that internal audit can serve as a means to improve public sector performance.

In this context, our study seeks to address the activation of audit (by auditors) within Algerian public administrations. This is further supported by the study by Chalemagne (2021), which examines the challenges of internal auditing in developing countries,

specifically in Benin. The researchers aim to introduce new features in public administrations and financial reforms, such as internal auditing in all public institutions in developing countries, in order to increase the confidence of donor countries in the existence of sound governance, thereby facilitating access to external loans and multinational companies.

Furthermore, the study by Langella, Eugenio, and Ele (2021) emphasises the importance of incorporating the characteristics of external auditors in the public sector, highlighting the significant benefits of infusing private sector characteristics into the public sector. This is consistent with our objective of transferring existing private sector characteristics to the public sector.

In addition, the research by da Costa and Maria da Conceição (2021) formulates the issue of audit quality in the public sector with the aim of developing a model in the Australian context that designs government audit processes based on the private sector model. It is noted that this Australian model requires adjustments for application in a European context, particularly in terms of seeking and improving audit quality. In particular, Europe has not pursued the design of a government audit model analogous to that of the private sector. This is the aim of our study: to transfer the characteristics and features of financial accounting in the administrative public sector, as well as the characteristics of both external and internal audit in for-profit companies.

The study by Rima & Taleb (2021) and Yang (2021) highlights the efficiency of external auditors in the government audit environment, using the case of audits of public institutions in South Africa subject to the Public Finance Management Act. The findings suggest that external auditors are more diligent in addressing financial matters, particularly when comparing external and government auditors in the public sector.

Furthermore, the study by Cretu, Sîrbu, Gheonea, and Constandache (2011) entitled “Internal Auditing and Risk Analysis - The Specific Case of the Public Sector Entity in Portugal” emphasises the importance of expanding the role of internal audit in all public sector entities. This is echoed by several researchers in studies conducted in African countries that examine the role of internal audit in the effective management of the public sector.

Furthermore, the adoption of IPSAS based on accrual accounting requires the state to be prepared for this complex task. However, it contributes to the management of change in the public sector by providing several benefits in the medium and long term, leading to the equation: Transparency + Accountability = Financial Strength.

We will address this through our second main variable, which emphasises the importance of implementing International Public Sector Accounting Standards (IPSAS) and their relevance for the non-profit public sector compared to the profit sector. The aim of this is to rationalise and manage expenditure according to pre-

defined objectives, monitored either by preventive or ex post controls, as represented by the first main variable of our study. It is important to note that this approach requires the expertise of professionals such as auditors and accountants.

We emphasise this in our study by transferring the expertise found in the private sector to the public sector. In addition, we advocate the training of professionals and academics specialising in accounting, particularly in relation to IPSAS standards. Based on the above, we formulate the research question: To what extent will the activation of external audit, represented by the certification of public administration reports by auditors, contribute to the rationalisation of expenditure, especially in the light of Algeria's move towards the implementation of International Public Sector Accounting Standards (IPSAS) in local government units?

Research questions

What is the contribution of the external auditor to the control and rationalisation of public expenditure?

Research hypothesis:

The research is based on the following hypothesis:

The activation of the financial audit through the role of the external auditor, represented by the contract with a chartered accountant to validate public administration reports, will contribute to the rationalisation of expenditure.

Significance of the study:

The importance of the study is reflected in the following:

- Understanding the significant impact of the difficulties faced by the State in the proper management of public administration expenditure, which indicates the need to rethink the current accounting methods and systems and to find effective control solutions.
- To restore the confidence of citizens through transparency of public expenditure and accountability of officials and elected representatives, which will contribute to raising fiscal awareness.

Objectives of the study:

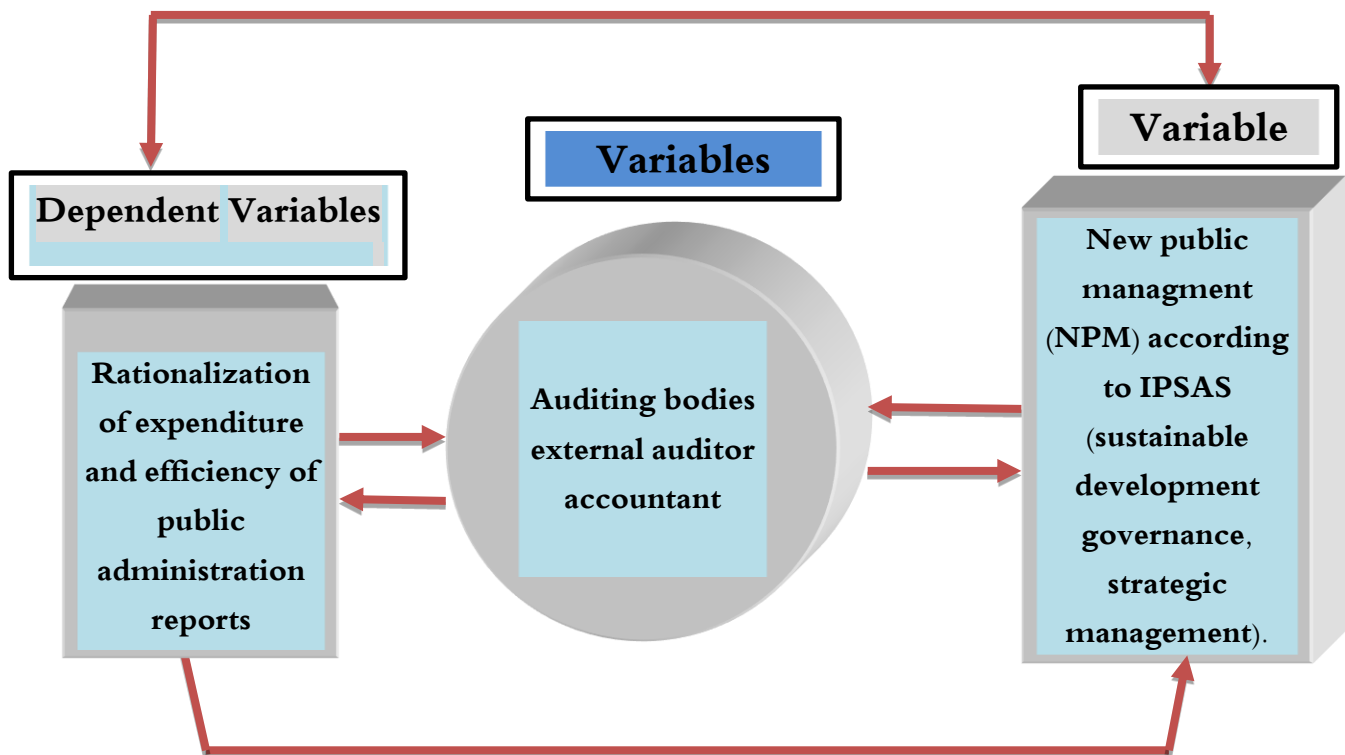
The study aims to:

- Attempt to develop a local audit approach that keeps pace with modern developments and meets the needs of the public sector, ensuring dual oversight: using the Court of Audit for independent external oversight through the external auditor, while maintaining the legal authority of the Court of Audit to perform legal external oversight of local authorities.

Methodology of the study

The study is based on a descriptive and analytical approach, in addition to a statistical method using SPSS.V20 software to process and analyse data and perform statistical tests to answer the research hypothesis.

Study outline:



Outline of the study Theoretical framework of the research

1.1 The importance of the auditor’s independence in certifying public sector accounts

In the light of the accounting standards that will be adopted in the public sector, we ask the following question Are there mechanisms and specific control strategies in the context of the adoption of accounting standards for the public sector?

The standards set for financial data (Toudas, Poutos, & Balios, 2013):

Standard 03: Net Surplus	Standard 5: Borrowing Costs	Standard 07: Investments in Associates	Standard 11: Construction Contracts
Standard 12: Inventories	Standard 13: Leases	Standard 15: Financial Instruments	Standard 16: Investment Properties
Standard 17: Property,	Standard 19:	Standard 21:	Standard 26:

Plant, and Equipment	Provisions, Contingent Liabilities, and Contingent Assets*	Impairment of Non-Cash-Generating Assets	Impairment of Cash-Generating Assets
Standard 25: Employee Benefits			

Source: Toudas, K., Poutos, E., & Balios, D. (2013). Conceptual, regulatory and institutional issues of IPSAS: a critical review. **European Journal of Business and Social Sciences*, 2*(1), 43-54. P.46

From the figure we can see that the preparation of budgetary information in the public sector requires the use of 13 accounting standards in addition to Accounting Standard No. 01, which relates to the presentation of financial statements. We can therefore say that this aspect is a simulation and resembles the profit-oriented business sector, which relies on financial reporting according to IFRS.

We then ask: is the legal supervision of the financial statements, as it has been practised until now by the Court of Accounts and the Financial Inspection in Algeria, sufficient to reveal and contribute to the effectiveness of the financial statements of the public sector? Or is it time for the higher authorities to issue legislation and conduct feasibility studies on the need for the independence of professionals who have a legal mandate to certify the reports of public administrations? This is emphasised by IFAC's Accounting Standard 610, which advocates the submission of reports to independent auditors.

1.2 Structure of International Public Sector Accounting Standards (IPSAS)

The International Public Sector Accounting Standards Board (IPSASB) is a technical committee of the International Federation of Accountants (IFAC). It is composed of 157 national professional accountancy bodies from 123 countries (Berger, 2018). The board has issued accounting standards for the public sector, which are largely inspired by private sector accounting standards (IAS/IFRS). Many countries have adopted these standards, such as Algeria, which has adopted 17 accounting standards under the name NCE (Normes Comptables Etabli).

1.3 Challenges to auditor “independence” in the public sector to achieve transparency and accountability (Yang, 2021, p. 3)

Several countries have rushed to adopt public sector accounting standards and, at the same time, established mechanisms to update external oversight. South Africa, for example, is a notable case.

A. South Africa's experience in certifying management bodies

Among the countries in Africa that have adopted the new approach to public sector management certification, South Africa is considered a reference for other developing African countries. In 2004, legislation was passed to implement audits in South Africa,

specifically through the Auditor-General of South Africa (AGSA), which affects municipalities, national government departments, regional government departments and constitutional bodies. The AGSA uses various private audit firms to conduct audits either on its behalf or when it decides to replace certain auditors (Rima & Taleb, 2021, pp. 599-600).

The presence of these auditing processes by private firms in the public sector has increased due to the growing use of new technologies in South Africa and the application of modern practices such as contracting with external auditors and public-private partnerships. This change has led to extraordinary developments in public sector accounting, auditing, control and effective management of public funds (Rima & Taleb, 2021, pp. 599-600).

B. Key objectives of private sector audit contracting

The first objective is to empower citizens to exercise oversight over elected bodies. The second, more noble objective is to provide mechanisms that allow these institutions to improve their performance through the results of audits (Rima & Taleb, 2021, p. 600).

We note that certification by an external auditor is not sufficient for the effectiveness of financial reporting in the public sector; it is essential to rely on the internal oversight of the organisation and the internal auditor, as emphasised by international auditing standards.

1.4 Coordination between external and internal auditors in accordance with International Accounting Standards

The integration process between the external auditor and the internal auditor is governed by two international standards: (9150) issued by INTOSAI and (610) issued by the International Federation of Accountants (IFAC).

According to International Standard (9150) INTOSAI:

- Develop methodologies and train staff to share information related to audit reports.
- Exchange audit strategies (such as joint planning meetings) and share audit planning information.
- Determine the nature of audit procedures in terms of timing and scope.

According to International Standard (610) IFAC (Dr Arjwan, 2015, p. 137)

- The external auditor should be informed of the internal auditor's reports and should be informed of any significant matters identified by the internal auditor that could affect the external auditor's work. Similarly, the external auditor should inform the internal auditor of any significant matters that may affect the internal control process. In addition, the external auditor should review the preliminary plan for the internal control process with the internal auditor prior to the actual audit.

2. Practical framework

Current status of certification of public sector accounts in Algeria

In 2020, the National Accounting Council carried out an initiative, to be followed by efforts in 2021, to highlight the need to have certified accountants for the validation of public sector entities.

In 2020, a file entitled “Accountants for auditing the accounts of governors, university officials and public institutions” was submitted to the Ministry of Finance as part of the ongoing efforts to combat corruption. The President of the National Chamber of Accountants, “Rajimi La’arabi”, revealed preparations for a new law currently under consideration by the Ministry of Finance. This law would give the National Chamber of Accountants responsibility for monitoring the spending of public funds on non-profit organisations. A national meeting has been prepared for 7-8 March 2020 in the province of El Oued.

Rajimi, the president of the National Council of Accountants, said that accountants had asked to be involved, alongside the Court of Accounts and the Financial Inspectorate, in auditing the accounts of public bodies and monitoring the spending of public funds in order to serve the national economy and combat corruption. He specified that public entities with revenues not exceeding 100 million Algerian dinars would be included. Rajimi stated that this proposal has been approved by the Ministry of Finance and is expected to be implemented in 2023, following the issuance of the relevant legal texts and regulations. This proposal comes at a time of anti-corruption efforts and amid changes in Algeria’s ministerial structure (Kamoush, 2020).

Methodology and target sample

A questionnaire was presented to a sample of chartered accountants, judges of the Court of Accounts and some officials of the Ministry of Finance to answer the ten items aimed at exploring the prospects of activating the role of the chartered accountant in certifying the reports of Algerian public administrations.

Analysis and discussion of the results

After verifying the validity and reliability of the questionnaire, the researcher carried out a descriptive analysis of the characteristics of the sample and described the main variables of the study. This analysis aimed to test the hypotheses of the study by revealing the level of importance of auditing and the importance of preparing financial statements in light of the trend towards implementing International Public Sector Accounting Standards (IPSAS/IAS) to rationalise public administration expenditure, according to some stakeholders in the reform of external audit in the public sector.

2.1 Descriptive analysis of personal variables

First: Personal characteristics

The study is based on a descriptive analysis of personal variables, which make up the first part of the questionnaire, based on frequencies and percentages.

1. Gender variable:

Table No. (02): Distribution of sample participants by gender.

Gender	Frequency	Percentage
Male	56	75,7%
Female	18	24,3%
Total	74	100%

Source: Prepared by the researcher based on the results of the (SPSS) programme.

Table No. (02) shows that 56 of the contributors to the reforms are male, representing 75.7% of the total sample size, making them the majority group. In contrast, there are 18 female contributors, representing 24.3% of those involved in the reforms.

2. Educational attainment variable

Table (03): Distribution of sample participants by educational qualification..

Educational qualifications	Frequency	Percentage
University degree	44	59,5%
Graduate studies	23	31,1%
Professional certificate	7	9,5%
Total	74	100%

The table shows that 44 of the participants in the reforms have a university degree, which is 59.5%, making this the largest group in the sample. This is followed by 23 contributors with postgraduate qualifications (31.1%) and 7 contributors with vocational qualifications (9.5%), the smallest group in the sample.

3. Occupation Variable

Table no. (04): Distribution of sample participants by profession.

Occupation	Frequency	Percentage
Judges in the Court of Auditors	18	24,3%
Certified accountants	36	48,6%
Official in the Ministry of finance	20	27%
Total	74	100%

The table shows that 36 contributors to the reforms are chartered accountants, representing 48.6%, making them the largest group in the sample. This is followed by 20 contributors who are officials at the Ministry of Finance, representing 27%, and 18 contributors who are judges at the Court of Auditors, representing 18%, which is the

smallest group in the study sample.

4. Professional experience Variable

Table no. (05): Distribution of respondents by professional experience

Professional Experience	Frequency	Percentage
Less than 5 years	11	14,9%
From 5 to 10 years	17	23%
More than 10 years	46	62,2%
Total	74	100%

Source: Prepared by the researcher based on the results of the SPSS programme.

Table No. (05) shows that 46 of the reform contributors have more than 10 years of experience, representing 62.2% of the total sample size, making them the majority group. This is followed by 17 contributors with between 5 and 10 years of experience, representing 23%, and 11 contributors with less than 5 years of experience, representing 14.9%, which is the smallest group in the study sample.

Table no. (06): Internal consistency test of statements and after external audit

Number	Statements After external auditing	Correlation coefficient	P-value
01	The independence and neutrality of the certified accountant contribute to the achievement of governance in public administrations.	0,770**	0,000
02	supervisionThere is a need for independence in the supervision of Algerian public administrations in the application of public sector accounting standards.	0,518**	0,000
03	The transparency characteristic of the chartered accountant in the private sector contributes to the effectiveness of public administration expenditure.	0,694**	0,000
04	When the certified accountant has accounting and legal qualifications, it enhances the credibility and independence of financial reports for public administrations.	0,721**	0,000
05	The accountability feature, through the certified accountant's reading of the report to the board, helps to identify	0,748**	0,000

	deviations and rationalise the management of public administration expenditure in a timely manner.		
06	The certified accountant contributes to the efficiency and transparency of public administration expenditure by preparing periodic interim reports and annual reports.	0,838**	0,000
07	The certified accountant's power to call an extraordinary general meeting in the event of significant deviations contributes to the effective control of public administration expenditure.	0,793**	0,000
08	The certified accountant's documentation of observations and reservations on managers and officials contributes to accountability and the timely correction of errors in public administrations	0,760**	0,000
09	The certified accountant's certification of financial reports increases the efficiency and rationalisation of public administration expenditure.	0,769**	0,000
10	The ordinary and extraordinary tasks of the certified accountant lead to the achievement of sound governance and rational management of expenditure.	0,799**	0,000

Source: Prepared by the researcher based on the results of the SPSS programme.

Table No. (06) shows that the correlation coefficient between the statements and the axis is between (0.518 and 0.838) with a statistical significance of (0.000), which is less than the significance level of (0.05). This indicates an acceptable correlation between each statement and the external audit axis.

Third: Internal consistency of the statements of the financial statement preparation axis in relation to the application of International Accounting Standards.

The researcher used Spearman's correlation coefficient to verify the correlation of the statements measuring each dimension of the axis.

Descriptive analysis of the dimensions of the importance of external audit in the light of the application of International Accounting Standards

The study described the dimensions of the importance of external audit in light of the application of international accounting standards, which included two dimensions, based on the arithmetic mean, standard deviation and degree of agreement, as shown in the following table:

Table No. (07): Statistical indicators describing the dimensions of external audit in relation to the application of International Accounting Standards.

Number	Dimensions	Mean	Standard Deviation	Ranking	Degree of agreement
External audi Auditing	4,15	0,635	1	4,15	high

Source: Prepared by the researcher based on the results of the (SPSS) program.

Table No. (07) indicates that the participants in the reforms rated the dimensions of the importance of external auditing in light of the trend toward applying international accounting standards with high agreement levels. These were ranked according to the mean and the approved agreement levels as follows:

1. The mean for the dimension of external auditing is 4.15, indicating a high level of agreement regarding the importance of external auditing in the context of applying international accounting standards. The standard deviation for this dimension is 0.635, showing that there is little variation in the participants' estimates.

2.3 Hypothesis Testing

To verify the hypotheses, we relied on statistical difference tests and significance levels to uncover the importance of external auditing in light of the trend toward applying IPSAS/IAS international accounting standards to rationalize public administration expenditures.

First: Hypothesis Testing

The researcher used the hypothesized value of (3) to determine the statistical differences between the mean estimates of the reform participants, to test the null and alternative hypotheses formulated as follows:

- Null Hypothesis (H₀): There is no statistically significant high level at the 0.05 significance level regarding the importance of external auditing for rationalizing public administration expenditures in light of applying IPSAS international accounting standards, according to certified accountants, judges of the Court of Auditors, and some officials in the Ministry of Finance.

- Alternative Hypothesis (H₁): There is a statistically significant high level at the 0.05 significance level regarding the importance of external auditing for rationalizing public administration expenditures in light of applying IPSAS international accounting standards, according to certified accountants, judges of the Court of Auditors, and

some officials in the Ministry of Finance.

After testing the hypothesis using one-sample statistics, the results are presented in the following table:

Table No. (08): Testing the level of importance of external audit for rationalisation of public administration expenditure in the light of the application of IPSAS International Accounting Standards, according to certified accountants, judges of the Court of Audit and some officials in the Ministry of Finance.

Statement	Mean	Standard deviation	Calculated t Value	Degree of freedom	Significance value
Accounting Auditing under International Accounting Standards	4,11	0,581	16,512	73	0,000

Source: Prepared by the researcher based on the results of the statistical programme (SPSS).

Table No. (08) shows that the axis of external audit under the application of international accounting standards reached a significance value of (0.0000) with 73 degrees of freedom. The calculated T-value was (16.512), which is greater than the tabulated T-value (1.990) at a significance level of (0.05). This indicates that there are statistically significant differences between the average estimates of the reform contributors and the hypothesised value (3), as the mean for the axis is (4.11). Therefore, we reject the null hypothesis and accept the alternative hypothesis, which states that there is a statistically significant high level at the significance level (0.05) regarding the importance of auditing in the rationalisation of public administration expenditure in the application of international accounting standards (IPSAS), according to certified accountants, judges of the Court of Audit and some officials of the Ministry of Finance.

Second: Results of the tests of the study hypotheses according to the statistical formulation of the first axis

Conclusion

The results confirmed the hypothesis that there is a statistically significant high level at the (0.05) significance level regarding the importance of the audit of accounts in the rationalisation of public administration expenditure under the application of international accounting standards (IPSAS), according to certified accountants, judges of the Court of Audit and some officials of the Ministry of Finance. This is attributed

to the trend towards reforms in the external control of public administrations and the importance of introducing the concept of certification of their accounts in order to use certified accountants who are characterised by independence.

Furthermore, there is an important future direction towards the integration of internal and external audit to establish an internal control system within public administrations as a new mechanism to identify risks and deviations, serving as a tool for both internal and external auditors.

In conclusion, the most important element that suggests that public administrations may in the future rely on a private entity to certify financial reports prepared in accordance with IPSAS is the independence that certified public accountants have as external neutral entities that oversee the organisation, unlike the judges of the Court of Auditors, who are considered part of the public authority, although not directly.

In addition, if the spending authority has a degree of freedom in financial transactions throughout the year under accrual accounting, this freedom was not present under cash accounting. Thus, we confirm our hypothesis that under this new direction for public administration, it is essential to involve auditors as an effective mechanism to ensure the accuracy of the financial information presented in public financial statements.

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