

The State accounts certification in the core of the modernization of public management

La certification des comptes de l'Etat au cœur de la modernisation de la gestion publique

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Abstract

In a context of public management modernization, and research for performance transparency and financial information sincerity, Morocco has, with the passage of the finance organic law n°130.13 (LOF 2015), launched in a reform of public accounting, moving from a cash accounting limited to a budget accounting to a three-dimensional accounting system adding to it both general accounting and cost-analytic accounting.

For this purpose, the LOF 2015 granted to the Court of Auditors the mission to certify State accounts in order to devote the principle of accounts sincerity and improve the reliability and transparency of State accounts.

This Article is looking to demonstrate the role of this new mission of accounts certification in the process of public management modernization, and, above all, to understand what the accounts certification is, and why is that? as well as the preconditions to succeed this mission.

Keywords: Public accounts certification; Accounting reform; Transparency; Sincerity; Management modernization.

Résumé

Dans un contexte de modernisation de la gestion publique, et la recherche de la performance, la transparence et la sincérité de l'information financière. Le Maroc, avec l'adoption de la loi organique de finances n°130.13 (LOF 2015), se lance dans une réforme de la comptabilité publique, en passant d'une comptabilité de caisse limitée sur une comptabilité budgétaire à un système comptable à trois dimensions en ajoutant à cette dernière une comptabilité générale, et une comptabilité d'analyse des coûts.

À cet effet, la LOF de 2015 octroie à la Cour des comptes la mission de certification des comptes de l'État pour consacrer le principe de sincérité des comptes et renforcer la fiabilité et la transparence des comptes de l'État.

Cet article cherche à démontrer le rôle de cette nouvelle mission de certification des comptes dans le processus de modernisation de la gestion publique. Et avant tout de savoir qu'est-ce que la certification des comptes ? Et pourquoi faire ? Ainsi que les conditions préalables pour la réussite de cette mission.

Mots clés : certification des comptes publics ; réforme comptable ; transparence ; sincérité ; modernisation de la gestion.

Introduction

The supreme audit institutions have a key contribution to democratic systems by guaranteeing a good public management and a high quality of financial information editing. They are leader parts of State governance system, and their audit action guarantee an informed decision taking, improve and give credibility to edited information, and finally empower and legitimate the decision takers, especially the authorizing officers who must account for their management. Their role consists of communicating to both Parliament and citizens the results of their different valuations on public management. They guarantee then the follow-up & ex-post audit of public expenses by highlighting deficiencies and recommending ways to improve. (Portal, 2009).

In a context of growing demands in terms of financial information quality and the willing to increase the readability & accessibility to State financial information, the budget & accounting reform generates the application of sincerity, regularity & performance principles in order to modify deeply the functioning of accounting & public management and emphasizes the information transparency & quality (Portal, 2009). The State accounts certification via Court of Auditor is a guarantee to respect these principles.

In that perspective of State accounts performance & reliability, Morocco will proceed with accounts certification practiced by the Court of Auditors. This reform originates from the organic law related to LOF 2015. This structuring reform is looking to modernize public management and is revolving around targeting public accounts sincerity, patrimonial accounting introduction, efficiency in public action, performance & accountability valuation, and parliament audit improvement.

To reach the expected goals, the organic law, that foresees the reform of public accounting based on established rights, grants to Court of Auditors a new major mission, which is the State accounts certification.

In this regard, we're looking to understand: **to what extent is State accounts certification considered as a tool for public management?**

To deal with this subject, we followed a methodology for documentary research which leads to collect and analyze data, documents, and legal texts in order to create a basis allowing us developing our hypothesis.

We have then opted for a deductive methodology that is placed among classic hypotheticodeductive research approaches. We want to verify following hypothesis:

- The State account certification is a managerial lever to modernize the management public.

Through this work, we're looking to get the role of accounts certification in the process of public management reform & modernization.

For this purpose, we're going to present first the conceptual frame of accounts certification. Secondly, we will get into the theoretical framework of the subject. Third, we'll be approaching goals of public accounts certification to show that it is part of management modernization process. And finally, we will focus on the legal aspects of accounts certification in Morocco, as well as the necessary prerequisites.

1. Conceptual framework of Public Accounts Certification

1.1. Accounts certification

Scott considers public accounts certification as a process aiming to provide reasonable insurance that financial statements are free of significant deficiencies and are in compliance with applicable accounting standards (Scott, 2000).

The International Federation of Accountants (IFAC) defines the certification mission as “an financial audit mission which aims to allow auditors expressing their opinion impacting how Financial statements are settled, in all their significant aspects, in accordance with an identified accounting referential” (IFAC, 2001)

According to Chan, public accounts certification is the process that an independent audit is following to be performed upon financial statements of a government entity to ascertain whether these financial statements comply with appropriate accounting standards and provide a true picture of financial situation, operating income, and cash flows of the entity (Chan, 2002).

The State accounts certification is “an insurance, qualified as opinion, based on an external audit approach, that the related transactions, retraced in the defined financial statements (Balance sheet, Income Statement & annex) are regular, sincere & faithful” (Alventoza,

2002). The accounts certification is defined as well as “the written & motivated opinion that an independent organism is formulating about the accordance of financial statement of an entity, in all significant aspects, with a given set of accounting rules” (Act of State accounts certification, fiscal year 2007). The challenge for certification is to guarantee the reliability of financial information coming from general accounting and also from future charges weighing on the state (Flizot, 2008).

1.2. Accounts certification audit

Fayol (1921) is the first to conceptualize the term “management”. He has identified six key functions of management: technical, commercial, financial, security, accounting and administrative. The last one is the most important to him and imply to: plan, organize, command, coordinate and control. (M'BARKI & EL HADRI, 2021).

Audit is an activity of controlling organizations which fits to the workshop of Jensen & Meckling (1976), particularly the agency theory. According to this theory, the organization is a place of conflict of interests between Principals & Agents (Jensen & Meckling, 1976). Principals are the owners who delegate, through a contract, the management of their organization to managers who are their Agents (Fama & Jensen, 1983). This situation needs the implementation of Principals in ways to orientate the Agents behavior. These ways take two main forms: Incentives and Monitoring.

Incentives (base wage, performance wage, stock options...) are aiming to ensure a minimum of convergence of interests between stockholders and managers. Audit consists of implementing procedures for following the managers performance.

In fact, audit is driven by the observation of the imperfect information – with regard to the nature condition and agents' behavior – and by the presence of information asymmetry between principal and agent (agent actually recognizes this on activity more than principal). Therefore, the contract that binds both parties is necessarily incomplete, and the principal does not have the means to control perfectly the agent actions (Coriat & Weinstein, 2010).

In this regard, the establishment of annual summary statements for the organization (including balance sheet, Profit & Loss (P&L) and the annex statements) represent the first level of control (Pochet, 1998). These annual statements form a summary of the organization activity workable by the different actors/stakeholders in a perspective of evaluation, decision taking or

diagnostic (Raffegau & al. 1994). Nevertheless, it can happen that the annual accounts are widely prepared by same people we're looking to control: agents & managers.

The financial audit practiced by an independent professional, as “critical examination destined to check if the firm activity is faithfully reflected in the annual accounts in accordance with an identified accounting referential” (Casta & Mikol, 1999), comes rightly to solve these agency conflicts, but also to converge divergent interests of stakeholders and manager (agent). The agency relationship generates then three costs:

- Cost of monitoring (cost spent by stakeholder to control manager's actions)
- Cost of reporting (cost spent by manager to report his credibility towards stakeholder)
- and residual Cost generated by the fact that manager's actions cannot be under complete control without making the firm lose some of its value.

The legal audit of accounts certification helps facing the two first agency costs. The manager uses audit to communicate his performance as well as his honesty towards stakeholder. This one is using that to control manager actions and to ensure credibility of his accounts towards third parties of the firm.

2. Theoretical framework

Our research on the state accounts certification within the context of public management modernization can be approached through the theoretical school of new public management. This approach emphasizes the management based on result, the decentralization, the accountability & performance, and reforms & changes looking to modernize public management

2.1. The New Public Management (NPM)

During the 1970s, the classical administrative system established by Max Weber began to face several criticisms from many researchers and practitioners. These criticisms are focusing on poor performance of the public sector, dominant bureaucracy, lack of accountability, corruption, and governmental fiscal crisis (Common, 1998). In response to the limitations of the classical administrative system, a new management approach called "New Public Management" emerged (Hood, 1991).

New Public Management (NPM) is a serie of public administration reforms which represents a new management model being opposite to the bureaucratic model initiated by Max Weber. This model consists of using technics & tools of management based on result that are in use within private sector, and applying them to the public sector. The goal of New Public Management is to enhance efficiency during public resources employment, cost control, and quality of services provided to users (Boumkhaled & Lkhoyaali, 2018).

Henry Fayol is considered in the literature as a precursor of NPM. He proposed an approach to modernize public administration inspired by private management practices and his own experience in the industry, in which conclusions remains actual (Morgana, 2012). In 1991, Christopher Hood published an article in which he introduced the term "New Public Management" to describe the administrative reforms experienced by a group of OECD countries. Then Hood describes NPM as a pursuit of frugality.

As for Bartoli, he defines NPM as: "a set of processes for finalization, organization, management, and control of public organizations aiming to develop their overall performance and drive their evolution in line with their mission" (Bartoli, 1997).

2.2. NPM and Public Accounts Certification

In the context of state accounts certification, the theory of New Public Management can be applied to analyze how certification contributes to enhancing management based on result by providing reliable information on financial performance and identifying areas that require improvement.

Within the same theoretical framework, we will then draw upon theories treating performance, efficiency, and theory of government accounting reforms.

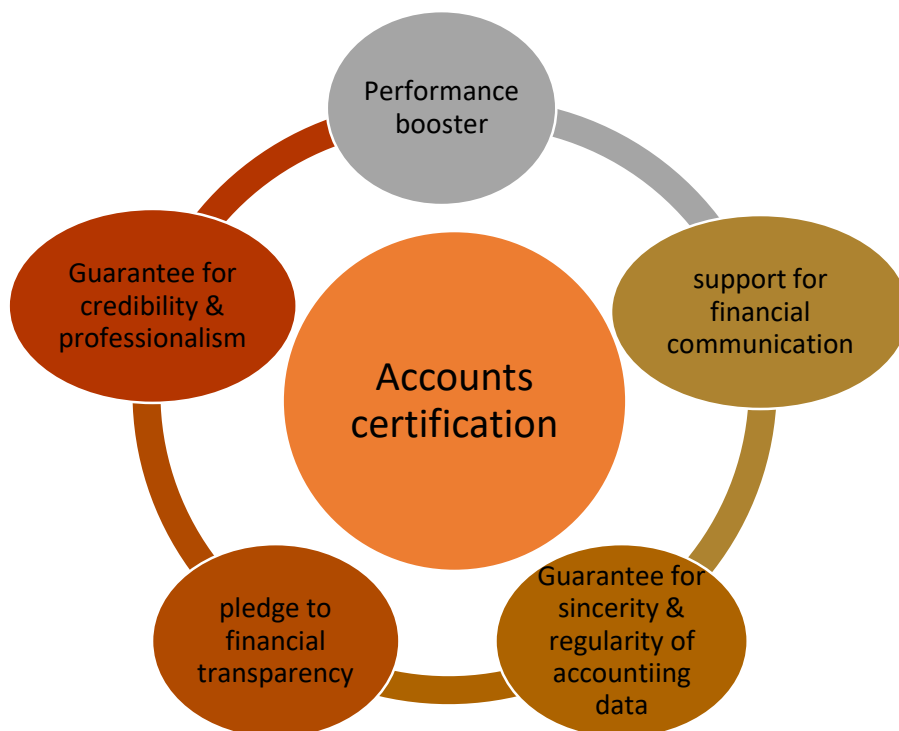
The theory of government accounting reform is focusing on changes in government accounting systems to improve transparency, accountability, and financial performance. State accounts certification can be studied under government accounting reform, by analyzing how it influences accounting standards, methods of booking, and the presentation of financial information.

3. The goals of public accounts certification

The accounts certification for public organizations can be considered rightly as a performance driver, because it contributes to improve management & steering of institutions, and then of their performance. If general accounting has a vocation to serve as a monitoring & management tool for the benefit of decision takers, it is also the support for financial communication. The accounts certification, by an independent external auditor, brings an additional guarantee for sincerity & regularity of accounting data, pledge of transparency on the financial & patrimonial situation of the institution towards their economic & institutional partners, supervisory authorities, and staff. For a public organism, accounts certification represents an insurance and a strong signal of credibility & professionalism towards their interlocutors, particularly when it benefits from important external funding by donors, whether they are public or private (Hélène & Alaphilippe, 2019).

The goals of accounts certification form then the basis of public management modernization which aims performance & transparency.

Draft N°1: The accounts certification as a tool for public management modernization



Source : Self-prepared

The objectives of public accounts certification are closely linked to the modernization of public management as they contribute to promote performance & transparency in public finance management. However, public accounts certification is an integral part of public management modernization.

By integrating public accounts certification into their administrative reforms, governments modernize their management practices by ensuring the reliability of financial information, enhancing accountability, and improving the overall performance of the public sector.

4. Public accounts certification in Morocco

4.1. Legal frame

The organic law n°130-13 related to LOF 2015 has introduced the move, at State level, from cash accounting to exercise accounting. This will happen starting 2018. It has devoted the principle of accounts sincerity and has entrusted to Court of Auditors the responsibility for their certification starting 2020.

The article 31 of finance organic law specifies that “the State accounts must be regular, sincere and give a faithful picture of its patrimony and its financial situation. The Court of Auditors certifies the regularity & sincerity of State accounts” (LOF, 2015).

“Accountants are in charge of bookkeeping for the State by making sure of respect for accounting rules and insuring sincerity of the related records as well as respect for accounting quality procedures” (LOF, 2015).

According to Article 69 of LOF 2015, the applicable entry schedule of the accounting reform in the accounts certification perspective is presented in below Table N1.

Table N°1 : Applicable entry schedule of the accounting reform according to LOF 2015.

January 1st, 2018	-General accounting bookkeeping
January 1st, 2020	- Cost analysis accounting bookkeeping - State accounts certification by Court of Auditors

Source : Self-prepared

4.2. Prerequisites for accounts certification by Court of Auditors

As seen before, starting 2018, public accounts in Morocco must be developed according to the new system of general accounting. The Court of Auditors intervenes then to certify the financial statements and other produced declarations starting January 2020.

According to the Court of Auditors report as of fiscal year 2021, the process of State accounts certification is not yet effectively triggered. In fact, the first elements of State general accounting of fiscal year 2020 did not start being communicated at Court of Auditors until May 27th, 2022 (Court of Auditors, 2023)

The implementation of this attribution for accounts certification needs the setup of same prerequisites.

4.2.1. Reinforcement of the internal control & internal audit

In 1977, the workbook of the Order of chartered accountants & certified accountants, named as *The internal control*, indicates that the internal control is all the securities contributing to master the firm. It aims, on the one hand, insuring protection, patrimony saving and quality of information, in the other hand applying instructions and promoting performance improvement. It is reflected by méthodes & procedures organization of each firm activity in order to maintain its sustainability (National Order of chartered accountants and certified accountants, 1977).

Let's retain three points from this definition:

- The internal control is setup par everybody, there is no Mr internal controller, or internal control department, except if we want to make a misinterpretation.
- It is not only concerning business, but also “organizations”.
- The internal control is a way to work better, as it gives a “reasonable insurance” and not an absolute certainty.

The internal control is defined by the INTOSAI (International Organization of Supreme Audit Institutions), in its document which presents the guidelines about internal control standards in order to promote public activities, as “an integrate process implemented by responsible & staff people of an organization and destined to master the risks and give reasonable insurance towards the realization, within the organization missions, of general goals as following:

- Execution of ordered, ethic, economic, efficient & performant operations.
- Respect for accountabilities
- Accordance with laws & applicable regulations
- Protection of resources from losses, bad usage & damages (Lamarque, 2016).

The internal audit must contribute to give guarantee to administrations of effectivity & efficiency of these processes of internal control which form the basis of risks management, by evaluating them independently.

4.2.2. Other prerequisites

According to the Court of Auditors report as of fiscal year 2021, in addition to strengthening the internal control system, the court has recommended to implement measures to support State accounts preparation. That should be ensuring best integration & coordination among parties, each in its competency, and ensuring complementarity of information systems for a better interoperable (Court of Auditors, 2023)

For this purpose, among public accounts certification prerequisites, we can mention:

- An efficient accounting & financial information system which:
 - Ensures reliability, traceability, and intelligibility of collected data
 - Ensures control & security of contained information
 - Simplifies & modernizes the accounting flow for the State
 - Improves deadline of treatment & production
- A continuous & transparent partner between organs in charge of accounting & management and Court of Auditors
- The adoption by Court of Auditors of an approach based on audit standards moving towards admitted referential at international level
- The Court of Auditors must build capacities in term of needed staff (hiring, contracting)

Conclusion

The LOF 2015 has introduced the move at State level from cash accounting to fiscal year accounting, this is starting 2018. It devoted the principle of accounting sincerity and entrust Cour of Auditors with accounts certification starting 2020. This fiscal year accounting must

guarantee a more readable & relevant financial & accounting information and must give a more faithful picture of State financial situation (Bastaoui, 2017). In fact, leaned to patrimonial accounting, the accounts certification will tend to improve lighting on public finance in general, and reinforce particularly the reliability & transparency of State account, and then the quality of financial information.

However, in order to consolidate transparency & good management of public activities, it is essential that we get a certification of public accounts. In that way, our hypothesis can be confirmed. The accounts certification is a necessary managerial tool in the process of public management reform & modernization in Morocco.

Nevertheless, the success of such mission for Court of Auditors is depending on many conditions, starting with reinforcement of internal control & internal audit system, and ensuring best coordination among related parties, each one in its competency field, and the implementation of performant financial & accounting systems, etc.

The challenge related to State accounts certification depends essentially on the quality of accounts to produce. In fact, the information included in these accounts must allow first to parliament and then to all State partners to better appreciate the patrimony and the financial situation of the State. The role of Court of Auditors at that level is determining, as it is about ensuring reliability & sincerity of public accounts (Kers, 2014)

Research on state accounts certification within the context of public management modernization is having scientific implications that are able to extend academic understanding of this domain and contribute to the improvement of public management practices. Furthermore, this research helps developing and refining existing theories related to public management, accounts certification, and the modernization of public institutions. It also has an influence on public policies, as it can support at building more efficient policies in order to modernize public management and improve accounts certification practices.

From managerial perspective, the research can encourage managers to implement accounts certification practices in order to improve transparency & accountability in public finance management and encourage them to adopt an approach more and more based on result & performance. This can help strengthening trust at citizens and stakeholders, and acting as a mechanism for evaluating the efficiency of government programs.

This research on state accounts certification within the context of public management modernization in Moroccan conditions had faced some limitations. Among these, we have limited access to complete and updated data. In addition, the domain of public accounts certification in Morocco is relatively fresh and underexplored, which makes the availability of references and prior researches very limited.

This research is realized in a period where the process of State accounts certification is not yet effectively triggered (according to Court of Auditors report, published in March 2023), and in absence of practical examples and statistics allowing to study the impact of this process on the public management, the confirmation of our hypothesis is based on the study of the concept of importance and goals for this process.

In this context, the question that arises is: what could be the impact of State accounts certification on the modernization of public management and the success of this process on the reform launched by Morocco?

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