

TRANSPARENCY AND EFFECTIVENESS GUARANTEE OF THE ADMINISTRATIVE PUBLIC ESTABLISHMENT MANAGEMENT IN MADAGASCAR

Authors :

- (1)RAHARIDERA Ndrosoniaina
(2)RANDRIAMIHARISOA Mamy Alfa
(3)RAKOTONIAINA RABENORO Barry

- (1) *PhD Student and Teacher, Sociales Sciences, Oniversity FJKM Ravelojaona, Madagascar*
(2) *Professor, Society Sciences, Oniversity in Antananrivo*
(3) *PhD and Teacher researcher, Engineering and innovation sciences, Oniversity in Antananrivo*

ABSTRACT

Administrative Public Establishments (EPA : Etablissements Publics à caractère Administratif) are legal entities under public laws with administrative and financial autonomy. They are created by the State or a public authority to fulfill a mission of public interest. The audit and control of Administrative Public Establishments play an important role for the good governance of these organizations. They make sure the transparency and the EPA rendering, guarantee the reliability of EPA accounts, ensure the effectiveness of EPA management, and provide compliance of EPA activities with applicable rules. In addition, the overall objective of the study on the audit and control of the Administrative Public Establishments in Madagascar is to implement satisfactory performance, which means to evaluate the effectiveness of these activities. Furthermore, the expected results are as follow : first, the description of the legal and institutional framework for the audit and controls of Administrative Public Establishments in Madagascar ; then, the identification of the strengths and weaknesses of the audit and controls of EPAs in Madagascar ; and finally, the implementation of recommendation proposal to improve the audit and controls of EPAs in Madagascar. The audit and control of Administrative Public Establishments are important for several reasons. First of all, they help guarantee the regularity, transparency and rendering of EPAs. This allows citizens to know how public funds are used and to control the action of Administrative Public Establishments.

Key Words: *Transparency, Efficiency, Audit and Control, Public Establishments, Regularity*

1. INTRODUCTION

The transparency of the Administrative Public Establishments management is an essential condition for their effectiveness according to the result of the study by Jean Pierre Legrand (2020). The current context of the Administrative Public Establishments in Madagascar is characterized by a certain number of challenges, in particular: First of all, the complexity of the EPA missions : Administrative Public Establishments have varied and complex missions which can be difficult to manage.

Then, the weakness of EPA resources : Administrative Public Establishments often have insufficient resources to fulfill their missions. In other words, Administrative Public Establishments frequently suffer from the effect of budget pressure. And finally, ignorance of the applicable rules: managers of Administrative Public Establishments can sometimes be unaware of the rules applicable to their activity.

The audit and control of Administrative Public Establishments are essential activities to guarantee the good management of these organizations. They make it possible to verify the sincerity and loyalty of the accounts, the effectiveness of management and compliance of the activity with applicable rules. In compliance with the principle of prudence, public accounting must meet the obligations of regularity, sincerity and transparency inherent in the keeping, control, presentation and communication of the financial information it deals with.

The proliferation of Administrative Public Establishments is a phenomenon observed in many countries, including Madagascar. This proliferation is due to a number of factors, such as the desire of States to delegate some of their missions to autonomous bodies ; the desire of local authorities to create organizations to meet local needs; and the desire of private actors to participate in the management of certain public services. The proliferation of Administrative Public Establishments can also pose a certain number of problems like a loss of clarity of public action, an increasing complexity in the management of public resources, and finally, an increase in the risks of interest conflicts.

Administrative Public Establishments have varied and complex missions which can be difficult to manage. These missions may concern areas such as education, healthcare, transportation, energy, environment, water and sanitation, agriculture, rearing, etc. The mission complexity of Administrative Public Establishments can pose a certain number of problems including firstly, a difficulty in recruiting qualified personnel ; secondly, a difficulty in setting up effective control systems ; and lastly, a difficulty in evaluating the effectiveness of the carried out actions (performance evaluation).

Administrative Public Establishments does not often have enough resources to fulfill their missions. These resources may be insufficient in terms of personnel, funding or equipment. The weakness of the resources of Administrative Public Establishments can pose a certain number of problems particularly a difficulty in providing quality services, a difficulty in complying with the applicable rules (regulatory texts) and finally, a difficulty in meeting the users' needs.

Managers of Administrative Public Establishments may sometimes be unaware of the rules applicable to their activity. These rules may concern areas such as public law, accounting law, tax law, etc. The lack of knowledge of the applicable rules can cause a number of problems, including first of all, a decision-making that does not comply with the rules, then, a risk of litigation, and finally, a loss of user confidence.

Guaranteeing transparency and efficiency in the management of Administrative Public Establishments is a major challenge for the good governance in Madagascar. Hence the problem: How to guarantee the transparency and efficiency of the management of the Administrative Public Establishments (EPA) in Madagascar ?

The overall objective of the study on the audit and controls of Administrative Public Establishments in Madagascar is to evaluate the effectiveness of these activities. This evaluation should make it possible to identify the strengths and weaknesses of the audit and controls of Administrative Public Establishments and to propose recommendations for improving them.

The specific objectives of the study are:

- To describe the legal and institutional framework for the audit and controls of Administrative Public Establishments in Madagascar ;
- To characterize the audit and control practices of Administrative Public Establishments in Madagascar ;
- To identify the strengths and weaknesses of the audit and controls of Administrative Public Establishments in Madagascar ;
- To propose recommendations for improving the audit and controls of Administrative Public Establishments in Madagascar.

2. AUDIT AND CONTROL OF ADMINISTRATIVE PUBLIC ESTABLISHMENTS

The audit of Administrative Public Establishments is an independent examination of the accounts and management of a concerned entity. It is carried out by an external auditor who is a qualified and independent professional. The objectives of the audit of Administrative Public Establishments are :

- To check the sincerity, regularity and fidelity of the accounts: the auditor must ensure that the EPA's accounts comply with the applicable accounting rules and that they faithfully reflect the financial and asset situation of the organization ;
- To evaluate the management effectiveness: the auditor must ensure that the Administrative Public Establishment is well managed and that public resources are used efficiently ;
- To ensure the compliance of the activity with applicable rules: the auditor must make sure that the activity of the Administrative Public Establishments complies with the current laws and regulations.

The entity is responsible for setting up an accounting organization which allows an internal and external control. In this context, the control of Administrative Public Establishments is an activity carried out by competent administrative authorities with the required skills. It can be carried out by regulatory authorities, internal control bodies or external control bodies. The objectives of the control of Administrative Public Establishments are similar to those of the audit. They consist of verifying the sincerity, regularity, transparency and fidelity of accounts, the efficiency of management and compliance of the activity with applicable rules.

3. STATE OF THE ART ON BEHAVIORS WHICH REDUCE AUDIT QUALITY

The topic of quality reduction behavior in auditing has been the subject of relatively supported interest for around forty years. A first series of examination of the issue began in the United States by the end of the 1970s. However, it is limited to the analysis of the impact of a particular aspect on the frequency of quality-reducing behaviors. In this case, it is most often budget pressure which has been found to be strongly correlated with adaptive behaviors.

From 1996, a second series of studies focused on the construction of more comprehensive multivariate explanatory models. These are mainly Otley's and Pierce's study (1996b), carried out in Ireland, and that of Malone's and Roberts's (1996) carried out on a population of assistants and seniors in the United States. This is the first basic multivariate work done on quality reduction behaviors. These fundamental studies gave rise to other more recent research which have analyzed dysfunctional behaviors from different angles of approach. The inventory of studies on the subject will be carried out respecting the chronological order associated with both univariate and multivariate work.

3.1 Univariate studies: studies oriented towards budget pressure

The first research on the quality reduction behaviors of auditors began in the United States at the end of the 1970s, close to the deregulation of the audit market.

The emergence of the research stream on dysfunctional behavior dates back to the early 1970s, following the two first published works the results of which remained contradictory, however. These are the study of Hopwood (1972) and that of Otley (1978). Hopwood highlighted the dependence of the frequency of dysfunctional behaviors of subordinates on their perceptions of the use of accounting criteria on the part of their superiors in order to measure their performance.

Regarding the field of financial auditing, Rhode (1978) was the first researcher to highlight the adaptive behaviors of auditors during a national questionnaire survey of 1526 auditors in the United States. This survey, conducted to determine the causes of behavior to reduce audit quality, highlights how the pressure linked to respecting the budget remained the main cause of the quality reduction put forward by the respondents.

In 1987, Kelley and Margheim demonstrated that, faced with intense budget pressure, auditors operating in audit firms based in the United States were more likely to manipulate time tracking than to practice quality reductions.

Three years after their study dating from 1987, Kelley and Margheim (1990) carried out a second study the objective of which was to measure the impact of budget pressure on two types of dysfunctional behavior (URT "Under-Reporting of Time": as acts not directly impacting audit quality and QTB "Quality-Threatening Behavior" as a quality reduction attitude).

3.2 Multivariate studies: studies on quality reduction behaviors

A multitude of works have explored the implementation of multivariate explanatory models to study the adaptive behaviors of auditors. We distinguish the fundamental research which, subsequently, served as a basis for the establishment of more recent works on the topic. These tackle the quality reduction behaviors from different angles of approach while relying on results drawn from the first multivariate studies.

From 1996, researchers began multivariate work. Among these studies, the most fundamental are those of Otley and Pierce (1996 b) or Malone and Robert (1996). We will also discuss the analysis of Kelley and Margheim (1999) which did not content with measuring the impact of a single factor on the frequency of auditors' quality reduction behaviors.

As part of their third publication (Otley and Pierce, 1996 b), the authors developed a multivariate regression model for explaining three types of dysfunctional behaviors: under-reporting of time, fraud (premature sign -off) and other quality reduction behaviors (other quality reduction acts).

The obtained results highlight that the variables "budget feasibility, command style, organizational involvement, effectiveness of the review process and supervisor approval" have a statistically considerable impact on dysfunctional behaviors. On the other hand, the two variables "professional involvement and efficiency given to the budget" remain with no significant effect.

In addition, Malone's and Robert's research (1996) was based on a questionnaire sent to around a hundred audit collaborators operating in 16 audit firms located in the United States, two of which are part of 6 major firms. installed in the United States (Big 6).

The used model defines the quality reduction behaviors based on thirteen (13) variables which are the following:

To begin, the variables linked to the personality of the Auditors: position of control, self-esteem, combativeness, need for approval and need for achievement. Besides, variables related to work attitudes : organizational involvement, professional involvement and willingness to stay. To continue, the variables related to quality control and work review procedures: actual level of quality control, perceived level of quality control and perceived level of sanctions. To finish, variables connected to the environment: structure of the firm and pressure linked to respecting the budget.

Thus the analyzes led to the following results: for the variables linked to personality, two of them are negatively and significantly correlated with quality reduction behaviors, namely the need for approval and achievement. The other three personality traits do not show significant impacts. The empirical results confirm various studies which have demonstrated the low explanatory power of personality variables on work behavior.

Concerning the variables inherent to work attitudes, none of them is significant. The authors do not establish decisive statistical impacts on professional involvement, thus confirming the results of Otley and Pierce (1996 b).

4. LIMITS OF THE AUDIT AND CONTROLS OF ADMINISTRATIVE PUBLICS ESTABLISHMENTS

Limit knowledge of the audit and controls of Administrative Public Establishments is important for several reasons. First of all, it allows us to understand the risks to which Administrative Public Establishments are exposed and to prevent them. Second, it helps improve the effectiveness of auditing and controls by identifying areas where improvements can be made. Thirdly, it helps to strengthen public confidence in Administrative Public Establishments.

The objectives of understanding the limits of auditing and controls of Administrative Public Establishments are as follow: To identify the legal, practical and organizational limits of the audit and controls of Administrative Public Establishments; To evaluate the limits's impact of the audit and controls of Administrative Public Establishments on the good management of EPAs; To propose recommendations to overcome the limits of the audit and controls of Administrative Public Establishments.

4.1 Legal limits

The legal limits of the audit and control of Administrative Public Establishments are linked to the legal framework which governs them.

In Madagascar, the audit and control of Administrative Public Establishments are governed by Organic Law No. 2004-007 of July 26, 2004 on Finance Laws (LOLF : Loi Organique sur les Lois de Finances). This organic law provides that the audit and control of Administrative Public Establishments are compulsory for all public bodies of the State which receive public funds. They are carried out by permanent public finance control bodies which are qualified and independent professionals.

The audit and control of Administrative Public Establishments are exercised by several authorities, in particular:

Firstly, exercising the power of general control that he has from the Constitution, the President of the Republic has the General State Inspection (IGE : Inspection Générale de l'État) and the Financial Control (CF : Contrôle Financier) which are directly attached to him. Organization modalities and operation are established by law or regulation. The execution of these inspections and controls does not preclude those carried out by or on public authorizing officers and accountants and other bodies or inspection bodies.

Furthermore, the Ministry of the Economy and Finance: it exercises control over Administrative Public Establishments which receive public funds.

What is more, the Court of Auditors (Cour des Comptes): it fulfils control over the Administrative Public Establishments which receive public funds and which are subject to its control.

Lastly, the internal control bodies of the Administrative Public Establishments: they exercise control over the management of Administrative Public Establishments.

This legal framework has certain limitations. For example, it does not provide for the systematic audit and control of all Administrative Public Establishments. On top of that, it does not provide for sufficiently dissuasive sanctions in case of lack.

4.2 Practical limits

The practical limits of the audit and control of Administrative Public Establishments are linked to the difficulties encountered by auditors and controllers in the exercise of their missions.

Auditors and controllers face a number of challenges including:

First, the complexity of EPA's activities: Administrative Public Establishments have varied and complex activities, which make it difficult for auditors and controllers to understand all the issues.

Besides, the lack of cooperation from EPAs: Administrative Public Establishments can sometimes be reluctant to cooperate with auditors and controllers, which can limit the scope of audits and controls.

Finally, the lack of resources: auditors and controllers often have insufficient resources to carry out their missions.

4.3 Organizational limits

The organizational limits of the audit and control of Administrative Public Establishments are linked to the organization of audit and control missions. Audit and control missions are often organized in a compartmentalized manner which can limit the consistency of controls. Additionally, there is a lack of coordination between different supervisory authorities, which can lead to duplication or omissions.

5. LIMITS IMPACTS

The limits of the audit and controls of Administrative Public Establishments may have a negative impact on the good management of the aforementioned Administrative Public Establishments. They may allow irregularities or breaches of applicable rules. They can also undermine the effectiveness of auditing and controls.

5.1 Impact of legal limits

The legal limits on the audit and controls of Administrative Public Establishments can have a negative impact on the good management of EPAs in several ways. First of all, they can allow irregularities or breaches of applicable rules. For example, an incomplete or inadequate legal framework may not provide for systematic monitoring of all EPAs or provide insufficient sanctions in the event of breaches. Second, they can undermine the effectiveness of auditing and controls. For example, a legal framework that does not provide for coordination between different supervisory authorities can lead to duplication or omissions in controls.

5.2 Impact of practical limits

The practical limits of the audit and controls of Administrative Public Establishments can also have a negative impact on the good governance of EPAs. Firstly, they can make it difficult to detect irregularities or breaches. For example, the complexity of EPA activities can make it difficult for auditors and controllers to understand all the issues. Second, they can limit the effectiveness of controls. For example, the lack of cooperation from Administrative Public Establishments can prevent auditors and controllers from accessing to the necessary information.

5.3 Impact of organizational limits

Organizational limitations in EPA auditing and controls can also have a negative impact on the proper management of EPAs. First of all, they can lead to a loss of control consistency. For example, not enough coordination between different supervisory authorities can lead to disparities in the results of audits and controls. Second, they can undermine the credibility of controls. For example, insufficient communication upon the results of audits and controls can limit their impact.

6. RECOMMANDATIONS

To overcome the limits of the audit and controls of Administrative Public Establishments, it is possible to take measures such as:

First of all, to strengthen the legal framework for the audit and control of Administrative Administrative Public Establishments to provide for systematic control of all Public Establishments and provide sufficiently dissuasive sanctions in the event of breaches.

In addition, to improve audit and control practices to better take into account the complexity of the activities of Administrative Public Establishments and to promote cooperation between Administrative Public Establishments.

And finally, to reinforce coordination between supervisory authorities to guarantee the consistency of controls.

The implementation of these measures would make it possible to strengthen the effectiveness of audit and controls, and contribute to improving the good management of Administrative Public Establishments.

7. PERSPECTIVES

In Madagascar, the audit and control of Administrative Public Establishments could be strengthened to further improve their effectiveness. This could be done by:

First, strengthening the skills of auditors and controllers: it is important that auditors and controllers are well trained and that they have the necessary skills to carry out their missions.

Then, improving the audit and control procedures: it is important that the audit and control procedures are clear and concise and that they are adapted to the specificities of Administrative Public Establishments.
And finally, strengthening of the coordination between the different supervisory authorities: it is important that the different supervisory authorities work together to avoid duplication and to guarantee the consistency of controls.

The implementation of these measures would make it possible to strengthen the effectiveness of the audit and control of Administrative Public Establishments and also contribute to improving the good governance of these organizations.

8. CONCLUSION

The audit and control of Administrative Public Establishments are essential activities to guarantee the good management of these organizations. They make it possible to prevent risks, detect irregularities and improve the transparency and efficiency of management.

The limits of the audit and control of Administrative Public Establishments constitute a barrier to the effectiveness of these activities. To strengthen the effectiveness of the audit and control of Administrative Public Establishments, it is necessary to take into account these limits and take the necessary measures to overcome them.

Evaluating the impact of audit limits and controls of Administrative Public Establishments concerning the good management of the said establishments is an essential activity for improving the governance of these organizations. The results of this evaluation may be useful to public authorities, Administrative Public Establishments and other stakeholders.

9. REFERENCES

- (1) Alzeban A. and Gwilliam D., (2012), "The Role and Practice of Internal Audit in the Saudi Public Sector.", Working Paper. A22. King Abdulaziz University
- (2) Chaplais C., Mard, Y., Marsat S., (2016), The auditor facing ethical dilemmas: the impact of ethics training on compliance with the code of ethics. *Accounting - Control - Audit*, 22 (1): 53-83
- (3) Collins L., Valin G., (1992), "Audit and internal control": 4th Edition
- (4) Dufils P., (1990), *Encyclopédie de gestion : Le contrôle interne*, Edition Vuibert.
- (5) Gaddour I., (2016), Contribution à l'étude de la qualité : une approche fondée sur le management des équipes et le comportement des auditeurs.
- (6) Herrbach O., (2001), Le comportement au travail des collaborateurs de cabinets d'audit financier : une approche par le contrat psychologique.
- (7) Kharbach M., Zaam H., & EL GUIR S. (2022). Le rôle du COSO dans un contrôle interne efficace : Une étude exploratoire dans le contexte marocain. *International Journal of Accounting, Finance, Auditing, Management and Economics*, 3 (1-2)
- (8) Malone, C.F., Roberts, R.W., (1996), Factors Associated with the Incidence of Reduced Audit Quality Behaviors Auditing : A Journal of Practice & Theory, 15 (2) : 49-64.
- (9) Robert B., Jean S., (1984), « Contrôle interne et vérification » : Editions Préfontaine inc.
- (10) Zhang Y., Zhou J. and Zhou N., (2007), "Audit committee quality, auditor independence, and internal control weaknesses.", *Journal of Accounting and Public Policy*, vol. 26 (3)