

Towards a conceptual model of an effective internal audit in the public sector

Auteur 1 : Houda HANATY,

Auteur 2 : Badre Eddine CHEGRI,

Auteur 3 : Omar HNICHE,

Houda HANATY, PhD

1 LARCEPEM Laboratory, FSJES, University of Mohamed V, Rabat, Morocco

Badre Eddine CHEGRI, Professor

2 LARCEPEM Laboratory, FSJES, University of Mohamed V, Rabat, Morocco

Omar HNICHE, Professor

3 LARCEPEM Laboratory, FSJES, University of Mohamed V, Rabat, Morocco

Déclaration de divulgation : L'auteur n'a pas connaissance de quelconque financement qui pourrait affecter l'objectivité de cette étude.

Conflit d'intérêts : L'auteur ne signale aucun conflit d'intérêts.

Pour citer cet article : HANATY .H , CHEGRI .BE & HNICHE .O .(2023) «Towards a conceptual model of an effective internal audit in the public sector », African Scientific Journal « Volume 03, Numéro 18 » pp: 848-861.

Date de soumission : Mai 2023

Date de publication : Juin 2023



DOI : 10.5281/zenodo.8270987
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Résumé

La pratique de l'audit interne a subi des changements considérables ces derniers temps. La plus importante étant celle d'élargir son champ d'action du secteur privé au secteur public. Cet article vise à comprendre les facteurs d'émergence de cette fonction dans les administrations publiques marocaines, afin de conclure s'il s'agit d'une réponse à un besoin réel ou seulement d'une illusion de contrôle motivée par une tendance. Pour répondre à cette question, nous avons utilisé un nombre d'outils de recherche. Tout d'abord, une revue de la littérature dans laquelle seront invoqués les préceptes des apports de la théorie de l'explosion de l'audit. Ensuite, une analyse du cas marocain où trois facteurs explicatifs seront identifiés : institutionnel, managérial et juridico-réglementaire. Par la suite, un modèle théorique de l'efficacité de l'audit interne sera présenté, qui facilitera la recherche et la conduite d'études analysant l'efficacité de l'audit interne dans le secteur public en général et dans le secteur marocain en particulier, en tenant compte des spécificités et caractéristiques de certains organismes publics, secteurs d'activité ou contextes dans lesquels ils opèrent.

Mots clés : Audit interne - secteur public - auditeur interne - modèle conceptuel.

Abstract

The practice of internal auditing has undergone considerable changes in recent times. The most important being that of widening its scope from private to public sector. This article aims to understand the factors of the emergence of this function in Moroccan public administrations, in order to conclude whether it is a response to a real need or only an illusion of control motivated by a trend. To answer this question, we used a number of research tools. First, a literature review in which the precepts of the contributions of the audit explosion theory will be invoked. Then, an analysis of the Moroccan case where three explanatory factors will be identified: institutional, managerial and legal-regulatory. Thereafter, a theoretical model for the effectiveness of internal auditing will be presented, which will facilitate research and the conduct of studies analyzing the effectiveness of internal auditing in public sector in general and in the Moroccan sector in specific, taking into consideration the specificities and characteristics of certain public organisations, sectors of activity or contexts in which they operate.

Keywords: Internal audit - public sector - internal auditor - conceptual model.

Introduction

According to (Harakat 2014)[1], the practice of auditing has experienced considerable growth in recent years.

Our article focuses in particular on the evolution of the scope of intervention marked by the passage of internal audit practices from private to public sector. Moreover, despite the importance of this development, research in management sciences is not very clear and precise on the factors that could explain it and the dynamics and organizational changes that they could imply. In this logic, we have raised, through this article, a conceptual and managerial challenge by trying to participate in the debate aimed at filling the theoretical insufficiencies in the matter, something which is possibly the responsibility of any researcher in management sciences (Azzarradi 2018)[2].

The answer to this question could be analyzed from different angles. First, according to the theory of the explosion of the audit which tries to understand the changes introduced in the public organizations. Then, a set of factors that justify the emergence of this practice in Moroccan public administrations. These factors can be typified as follows: institutional factors, managerial factors and regulatory factors.

In the end, whatever the factors of this emergence, the principles of NPM emphasize that the massive implantation of control practices in the public sector is considered as a pure and direct inspiration from the methods that flourish in the private sector.

Quite rightly, an image of modernity and efficiency was quickly built around the concept of internal audit. For this, public administrations have become aware of the need to set up within them entities responsible for auditing and control. Consequently, the large waves of recruitment of internal auditors could find their basis in the need to supply these entities with qualified human resources.

In this respect, such a recruitment operation should generate a critical debate by raising the question of its relevance in the public sector and its ability to create real added value in public action. The problem of this study is the following: What are the main determinants of internal audit effectiveness in public sector organizations?

The objective is therefore to design a theoretical model for the effectiveness of internal auditing, which will facilitate research and the conduct of studies analyzing the effectiveness of internal auditing in the public sector in general and in the Moroccan sector in specific, taking into consideration the specificities and characteristics of certain public organisations, sectors of activity or contexts in which they operate.

1. EMERGENCE OF AUDITING IN THE PUBLIC SECTOR

1.1 New public management: basic principles

New Public Management (NPM) is a managerial doctrine that refers to government policies of the 1980s relating to public sector reform in order to generate greater efficiency (Steane, Dufour, and Gates 2015)[3]. the change in the organizational form and management methods of administrations, considered obsolete and outdated. This does not in any way mean that management is a novelty in the public sector, but suggests the dominance of strong logics of bureaucracy and traditional controls. As for public managers, they must increasingly be motivated, highly adaptable while being adapted. These qualifications enable them to develop innovation, creativity and accountability.

Within the framework of this work, we are interested in the third and the fifth element. The latter refers to the current of “managerialism”, according to which the use of rational formulas leads organizations to achieve their objectives by using their resources as efficiently as possible. Thus, the management of public action today calls for a logic of rationalization, which means that public administrations must be managed with the same logic as those of private companies, while invoking the following management principles, which explain its singularity organic and teleological: decentralization, disintegration and disorientation (Thompson et al. 1995)[4].

Structures in the public sector see themselves as bearers of endless changes through the principle of accountability and accountability (Brunet and Aubry 2016)[5]. Moreover, public action must be managed according to the principles of transparency, effectiveness and efficiency. Therefore, it follows the establishment of performance measurement and evaluation systems inspired by agency and/or delegation models in the private sector. This is based, according to Hood (1995), on two observations[6]:

- Accountability, following a weakening of trust, leads to an increase in control;
- The assertion of the actors that the way in which private organizations are managed is the unique and the best.
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1.2 Public sector audit explosion theory

By the theory of the audit explosion, Power (1999) means the expansion of audit activities beyond its traditional meaning relating to the legal accounting financial audit[7]. In the public sector (Power 2005)[8], it refers to the growth of auditing, control and monitoring practices within public sector organizations in order to better understand how these changes have been

introduced into public organizations, to to question their unexpected and unintended effects and to highlight the risks of an illusion of control (Tremblay and Malsch 2012)[9].

In the end, the object of this theory is to highlight the origins of this explosion of the imperative of control under the aegis of the theses of New Public Management. At this level, the public administration has developed a culture of performance evaluation like private sector organizations.

This phenomenon of transfer of practices from private to public sector finds its explanation in the current of theorization or the abstraction of ideas. However, according to Giddens, (1990) and Czarniawska, & Savon, (2005), in a globalized society where ideas, models and norms transcend spatio-temporal barriers, the abstraction of ideas seems to be its most important characteristic (cited by Tremblay and Malsch 2012). In other words, a discourse, having emerged in a locally specific context, can find its way to globalization, in an abstract form, to be reintroduced and appropriated in different contexts.

Therefore, the degree of success of the adoption of a method from the private sector in the public sector depends greatly on its theorization. It is about its transformation into abstract concepts and its presentation of the idea as a solution to a specific problem (Greenwood, Suddaby, and Hinings 2002). Theorizing thus proves to be a crucial phase which allows an idea to spread in a society. This involves the definition of the problem, the proposed regulation and the rationale for the proposed treatment. To this can be added the role of translating and legitimizing complex ideas into easily understood and convincing formulas (Strang and Meyer 1993).

Moreover, the emergence and adoption of auditing in the Moroccan public sector have been built on actions and theories centered around the notions of control, audit, effectiveness, efficiency and relevance as well as reform and modernization (Harakat, 1992). Despite this, this assertion put forward by (Power 1999, 2005) is far from being a contextual duplication as it has been analyzed in the context of the UK or the USA, where an explosion was observed of the audit company. This is marked by a market of large multinationals whose main activity is auditing and consulting. This is how the wave of explosion reversed towards the public sector which sees itself needing to integrate the best techniques of the private sector within the framework of NPM.

In the Moroccan context, the public sector is not so strong as to have a reproduction of a similar context. Therefore, this explosion of auditing in the public sector can be explained primarily

by the influence of international organizations first. Then the awareness of the public authorities of the need for this function, which is beginning to impose itself in legal and regulatory texts.

1.3 The adoption of audit practices in the Moroccan public sector

Control and auditing practices in the Moroccan public sector have developed and been constantly enriched under the combined effect of doctrine and practice (Harakat 1992). In addition, other factors have contributed to the deepening and refinement of techniques and principles of control and audit. We can mention in this respect institutional, managerial and regulatory factors.

1.3.1 Institutional factors explaining the emergence of internal audit in the Moroccan public sector

Following the economic and financial crises marked by indebtedness and the aggravation of social tensions in the underdeveloped countries, the international institutions (UN, INTOSAI, WB, IMF), became aware, within the framework of their interventions, of the need for audit and control functions, under the aegis of governance (Harakat 1992). To this end, these institutions constantly recommend that public administrations have within them entities responsible for auditing and control.

To this must be added that Morocco has made institutional and organizational arrangements for control and audit since its independence. In this sense, it was created in 1960 the institution of the national commission of the accounts which was going to become in 1979 the Court of Accounts. This institution, having been constitutionalized as a financial jurisdiction, through its recommendations is at the origin of many organizational changes and adaptations at the level of the Moroccan public administration (Azzarradi and Fikri 2017)[10]. At the same time, Morocco is a member of a set of international and regional audit and control organizations, namely INTOSAI, AFROSAI and ARABOSAI.

1.3.2 Managerial factors explaining the emergence of internal audit in the Moroccan public sector

At the managerial level, the adoption of the principles resulting from good governance and NPM requires the establishment of an internal control and audit system.

First, performance and efficiency, to which public administration officials are accountable, depend on an effective internal audit system (Renard 2013).

Second, the introduction of the results-based approach and its success in public administrations remain dependent on the effectiveness and relevance of the internal audit system (Tremblay and Malsch 2012), which guarantees the quality of the audit. information and accountability of decision-makers.

Tercio, the process of advanced regionalization in which Morocco is fully committed, requires a transfer of power and latitude from the central level to the decentralized and territorial level in order to achieve a high level of financial autonomy. and administrative (Boutchich and Gallouj 2014)[11]. This power transfer process requires control and audit actions with the aim of having assurance for the central authorities of the good faith and good management of territorial decision-makers. Added to this is the imperative of monitoring the implementation of the State's strategic orientations at the territorial level (Renard 2017)[12].

On the other hand, the fact remains that this practice has not yet reached a sufficient level of maturity. This is explained not only by the requirement of a real effort to adapt it, but also by taking into consideration the specificities of the public sector and the bureaucratic and regulatory constraints during its integration.

1.3.3 Emergence of internal audit in the Moroccan public sector: a regulatory justification.

Royal speech of July 29, 2017 made a harsh judgment of the Moroccan administration by qualifying it, in a harsh tone, as weak and irresponsible. Furthermore, he emphasized the need for strict application of the provisions of paragraph 2 of Article 1 of the Constitution, a paragraph which establishes a correlation between responsibility and accountability.

Furthermore, accountability is a principle, as it has been constitutionalized, finds its extension in the paradigm of new public management, which has now become the basis of the principles

of modern management of public administration. It is a principle that obliges each manager to render accounts to the rights holders.

In this sense, given its compatibility with accountability and its effectiveness in the private sector, internal audit is more than ever essential for Moroccan public organizations.

By virtue of the provisions of the constitution, in particular its articles 42, 50, 85 and 132, Moroccan public finances have undergone profound reforms embodied in organic law 130-13. This organic law, considered as the financial constitution of the country, is one of the key reforms undertaken, which aims to overhaul the control of public expenditure and the establishment of performance audit¹ for the certification of public accounts. for better accounting quality².

On the regulatory level, the existence of audit and control entities, in the organizational structures of ministerial departments, has become essential since the entry into force of Decree No. 2-05-1369 of 29 Chaoual 1426 (2 December 2005) laying down the rules for the organization of ministerial departments and administrative devolution, and this, by virtue of article 6 of the said decree which stipulates that the decrees relating to the organization and attributions of the ministerial departments must include the administrative structures in charge of audit and management control missions.

In the same vein, Decree No. 2.07.1235 of 04 November 2008 relating to the control of State expenditure (CDE), aims at the organization and modulation of the activity of public finance control and this, via the internalization of a priori control or regularity of public expenditure in the management departments of the authorizing officers, something that will allow the responsibility for control to be shared between the authorizing officer and the accountant. In other words, it has become inevitable for authorizing officers to have control and audit bodies to ensure regularity control in the framework of strengthening the capacity of the financial and accounting management of the administration, internal control and the effectiveness of information systems.

Depending on the classification obtained, a control level is assigned to each authorizing service. Therefore, the responsibility for control is shared between the two actors. However, in order to benefit from the advantages of reduced control granted in return for the level of management capacity, the departments of the authorizing officer are already under the

obligation to have within them entities responsible for control, audit and monitoring in the same way as the public accountant.

Apart from the controls instituted by the general texts on public expenditure relating to public procurement and the texts stipulating that the contracts and their amendments are subject to checks and audits at the initiative of the minister concerned.

These checks and audits are becoming mandatory for a number of contracts⁴. To this end, it should be noted that article 165 of the said decree remains silent as to the conditions for carrying out the audit: the participant (internal or external audit), period of intervention (upstream, in progress and downstream). Faced with this situation, it would be wise to assign this mission to the entities in charge of internal audit created by virtue of decree no. 2-05-1369 cited above.

These entities draw up reports relating to their missions and which are sent, as the case may be, to the minister or the director of the public establishment concerned. The latter publishes the summary of these reports in the public procurement portal.

2. PRACTICAL STUDY OF INTERNAL AUDIT EFFECTIVENESS

According to (Dellai et al., 2016) Quinn and Hargie (2004), and Golen (2008), Hahn (2008) (Mihret et al.2007), (Ahmad et al., 2009; Cohen et al., 2010[13]–[17]) It is considered that the characteristics of internal auditors and their dimensions impact the effectiveness of internal auditing. We can propose:

H1: The characteristics of internal auditors and each of its dimensions impact the effectiveness of internal auditing.

According to (Cohen et al., 2010; Ahmad et al. ., 2009; Mihret et al., 2007), the following proposition can be made[15]–[17]:

H2: The quality of the internal audit function affects the effectiveness of internal audit.

It has been considered by previous studies (Alzeban et al., 2014; Ahmad et al., 2009; Dellai et al., 2016; Cohen et al., 2010; Mihret et al., 2007) as an important factor for the success of AI in the public organizations they examined[15]–[18], they agree that the internal audit is more effective when it has the support of senior management.

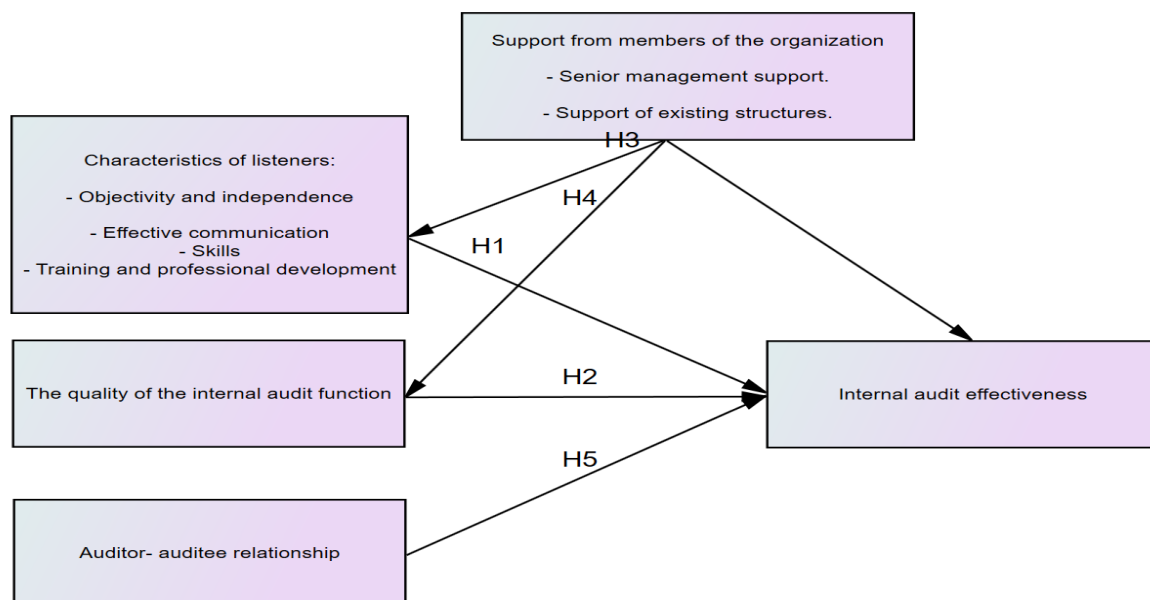
H3: Support from organizational members intensifies the link between internal auditor properties and internal audit effectiveness.

H4: Support from members of the organization intensifies the link between the performance of the internal audit department and the effectiveness of internal audit.

Auditor-auditee relationship: it includes the Perception of the auditee vis-à-vis the auditor, the communication between the two parties, thus several studies have been interested in studying the impact of certain behaviors of the auditee (the attribute and the profile of the auditee, the auditee's perception of the auditor, the auditee's cooperation with internal auditors, his reluctance to control, communication between them, etc.) which can affect and compromise the quality and effectiveness of internal audit (Mihret et al., 2007; Ahmad et al., 2009; Sakka et al., 2011)[15], [16], [19].

H5: The auditor-auditee relationship affects internal audit effectiveness.

Figure N°1. Conceptual model of internal audit effectiveness.



Source: Author

The association between internal auditor attributes and effectiveness of internal audit is shown in Figure 1. The ISPPA adopts the properties of the internal auditor, which include objectivity, effective communication, competence, as well as training and professional growth, as attributes for businesses and individuals, as previously mentioned. As a result, the strategic actor theory helps to explain the correlation between these properties and internal audit effectiveness, except for effective communication, while the communication theory is used to describe the relation between communicating effectively and internal audit effectiveness: Official theory is also utilised to explain the clear relation between the quality of the internal audit role and the efficacy

of internal audit. Indeed, worldwide criteria for the professional practise of internal auditing include the quality of the internal audit function. The interaction between members of the organisation and internal auditors, on the other hand, is covered by the strategic player and stakeholder theories. As a result, both models describe the impact of organisational members on the link between research variables, as explained before.

Conclusion

We tried in this research to analyze the place of the function of the internal audit in the Moroccan public administrations. We wondered about the opportunities it can bring to public management and we have, on the same occasion, raised the risk that it is a pure illusion by surfing on the wave of explosion of the audit without real added value. .

By way of conclusion, no one can claim what would have been the case if internal audit did not exist today. However, the listeners adopt a discourse of the scientific method without succeeding in adopting its substance. Therefore, whatever the illusion of the audit or its appearance as a holder of the power of correction, the report of the audit is, of course, not a divine revelation or scientific assertions. The fundamental quality attached to audits is subjectivity, which finally leads us to affirm that auditing is an interpretable, unpredictable and uncontrollable matter.

Auditing is not, and never has been, a pure work of independent observation of the observed domain, although this ideal is found in the literature and is reflected in academic writings. It is a transformational relationship with organizations, with the goal of making them controllable by creating integrated and coherent systems. As a result, where an audit explosion can be seen, it is linked to a wider set of changes aimed at making the public sector auditable and controllable.

This goes far beyond the technical design of appropriate indicators and monitoring systems, and involves transforming the way in which organizations and the individuals within them are governed. In this light, the audit explosion might be defined as the transfer of formal authority to audit bodies that make decisions on a wide range of topics and, by definition, transcend their auditing competence. Thus, for the purposes of our work, the individual's qualities and skills will indeed take precedence over the rule and procedure. However, it appears that a quantitative statistical analysis of the data in order to vary the correlation among recruitment and performance as well as stakeholder satisfaction could enrich the debate.

The logic of this study is to ensure the continuation of research on this issue, it contributes to presenting a theoretical framework and a conceptual model, which we plan to examine and test empirically in the field, in order to be able to analyze the effect of the proposed factors on the effectiveness of internal audit in the organization(s) that will be the subject of studies, and respond to the hypotheses formulated, which will also facilitate the conduct of research in this direction and the examination of the effectiveness of internal audit in the Moroccan public

sector to give more interest in this issue which remains unexplored enough in Morocco, and thus allow a better understanding the internal audit effectiveness.

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