

AUDIT IN A PERFORMANCE APPROACH: CASE OF ECONOMIC PUBLIC ENTERPRISE

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Abstract

The essential characteristic of the contemporary environment is the turbulence that forces the organization to adapt to different requirements (procedural, regulatory...) any identification and assessment of any risks that could threaten the company's performance.

In this context, the existence of an external audit practice is: to institute a periodic audit to ensure that operational provisions are established, Helps to reinforce the best practices observed in order to identify ways to improve the company's performance.

Key words: Audit; Internal control; Enterprise; Performance.

Jel Codes Classification : H32, M42, P17, M49

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التدقيق ضمن مقارنة كفاءة الاداء : حالة مؤسسة اقتصادية عمومية

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ملخص

بما ان المحيط مميزاتة التقلبات فان المؤسسة مجبرة على التكيف مع المتطلبات المختلفة (الاجرائية والتنظيمية ...) للحد من المخاطر التي تهدد كفاءة ادائها. وضمن هذا السياق فان التدقيق الخارجي بصفته مراقبة دورية كوسيلة للمساعدة على صحة الممارسات غايته تحسين كفاءة اداء المؤسسة.

الكلمات المفتاحية: التدقيق; المراقبة الداخلية ; المؤسسة ; كفاءة الاداء .

التصنيف JEL : M4 , H32 , M49 , P17

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Introduction:

The company's performance is subject to many constraints, coming from its external and/or internal, which it does not control.

Thus, this performance will largely depend on the consistency of the various adaptation actions undertaken (people, management, structures, information system, etc...) (Faure, 1991).

A powerful information system helps the manager to know and control risks to ensure the sustainability of his company.

To this end, the internal organization of a company is a challenge, especially in the case of a large company. The establishment of appropriate supervision mechanisms is necessary and will ensure that the objectives of individuals and those of the organization converge to achieve a certain performance.

In this context, the improvement of this performance is often due to:

- On the one hand, to an effective internal organization of the company, which relies on the improvement of managerial, informational and organizational processes, all contribute to the achievement of strategic objectives with satisfactory results.
- On the other hand, the use of an internal control that makes it possible to guarantee the organizational arrangements, which aims to ensure the protection and safeguarding of the heritage, the quality of information, and the application of the Directorate-General's instructions in order to improve performance. Also, It manifests itself in the organization by methods and procedures in every activity of the enterprise.

To be reliable and effective, it is desirable to evaluate all or at least some aspects of internal control.

Audit is considered one of the most powerful elements and is a process of studying and measuring the effectiveness of internal control. It allows, thanks to its findings and diagnostics, an assurance on the degree of control over the company's operations. It provides advice to improve, and thus contribute to better efficiency and increased performance.

In this context, the accounting and financial audit, the main area of application of the legal audit, will certify the summary statements of an enterprise through the following steps: the internal control review, the identification of risks and the review of accounts.

Significant corporate accounts include fixed assets. The assets of enterprises constitute a large part of the wealth, which can serve as a basis for assessing enterprises.

Fixed assets have an impact on other balance sheet and income statements, namely depreciation and endowments, proceeds from disposals and net book values. The "audit" of capital assets is therefore paramount. Since they reflect the wealth that remains the longest in the company.

The procedure for reviewing fixed asset accounts is essentially based on tests of movements in fixed assets and the validation of depreciation allowances for the year. Further work on compliance with internal controls is also being carried out.

At the end of the audit work, recommendations are issued in order to enable the audited company to better manage its main cycles, particularly that of fixed assets.

To this end, internal audit concentrates its efforts primarily on the analysis of risks and deficiencies that may exist through recommendations, advice or the implementation of new procedures. In general, the audit includes all tasks aimed at improving the company's performance.

Internal and external audits complement each other, but an external audit can do without an internal audit. But not otherwise, because a company always needs an external audit (a contractual audit), to certify the accounts and bring more credibility to its financial statements.

For us, the aim is to include the problem of auditing as a tool to help improve the company's performance.

An empirical study of an Economic Public Enterprise (EPE), through a contractual accounting and financial audit (audit of fixed assets) will make it possible to verify the formal compliance of accounting records with the legal rules. The aim is to detect anomalies, assess internal control, analyse potential risks and certify the fair image of the accounts, whose objective is to improve the company's performance.

I. Audit : a powerful element of internal control:

In the company, a manager must know the extent of his duties, and therefore his limits, as well as his direct contacts. This knowledge extends to any employee who needs to know what is expected of them, their field and hierarchy.

The determination of functions, powers and hierarchical relationships is necessary for the proper flow of information, and more generally for all decision-making. Does the latter and through the choices made and the actions taken lead to the objectives set (Baranger et Renard, 1987).

The responsibilities of control in the enterprise are divided among specialized disciplines which, despite a common general purpose, are clearly distinguished by their concern (Cohen, 2001).

The organization of procedures, safeguards and safeguards, and the control activities incorporated in them, are called "internal control" (Friederich et Langlois, 2010).

It is obvious that the accounts only reproduce what the internal information system allows them to enter.

This is why it is important to look at the internal organisation and identify the internal control system before reviewing the accounts in order to review them.

The system of internal control is fundamentally based on three principles (Hamini, 2001):

- An organizational plan that provides for a division of functions and corresponding responsibilities.
- A system of procedures detailing precisely who allows and how to register.
- Qualified personnel suitable for the workplace.

These three fundamental principles need five main rules to complement the requirements for a good internal control system.

- Written evidence: the information system in an enterprise is largely based on the accounting organisation. There can be no accounting without written evidence. Written proof is the starting point for starting the accounting process. Without written evidence, it is impossible to keep logs, or organize any information system.
- Rapid and chronological recording of facts: the keeping of journals and books of account, which constitute the basic information system in an enterprise, is also based on the rule of rapid and chronological recording of facts.
- This rule is essential if the internal control system is to be effective: the organization will be designed in such a way as to facilitate mutual control between several stakeholders.
- Staff specialisation and control : a healthy division of labour will take into account the overall vision of efficiency.
- Implementation of IT resources: increasingly, an organisation without rapid information processing cannot be efficient. The use of Informatic tool becomes an essential complement to the implementation of an effective internal control system. In addition to the speed of processing, the information is also secure.

Internal control is particularly topical since the various financial scandals (Parmalat, Enron, Worldcom, etc.) and the promulgation of the Sarbanes Oxley laws (July 2002) in the United States and financial security. These now include an obligation for managers to set up internal control systems within the company.

The Sarbanes Oxley Act refers to the COSO definition which specifies that internal control is a process defined and implemented by the board of directors, management and personnel of the company to provide reasonable assurance that the following objectives are achieved (Jougleux et Livian, 2007):

- reliability of accounting and financial information ;
- effectiveness and efficiency in the conduct of business operations ;
- compliance with applicable laws and regulations.

Among the elements that constitute the internal control environment is the audit function.

In this context, Law No. 88-01 on Public Economic Enterprises, stipulates in Article 40 that “shall organize and strengthen the audit structures of companies and constantly improve their operating and management processes”.

Article 41 of the same Law provides that State-owned Enterprises are subject to a periodic evaluation, carried out by a body authorised for this purpose by regulation.

However, these two provisions were not included in Order No. 95-25 of 25 September 1995 on the management of the State’s market capital, which repeals, except in its provisions relating to economic regulation and the organization of the work of preparation and preparation of plans, the aforementioned Law No. 88-01.

The obligation to set up a control structure has been repealed, leaving it to the managers of those undertakings to decide whether or not this means of control and supervision exists.

It was not until the inter ministerial council of 18 December 2006 on the evaluation of the control of public expenditure that it was decided to instruct each economic enterprise to set up an audit structure and internal control.

This decision was followed by a note from the Ministry of Participation and Investment Promotion, dated 30 January 2007, recommending the establishment of an audit and internal control structure at the level of each public undertaking.

More the internal auditors are employees of company whose mission is to control the execution of the procedures put in place by the management. Their action may be complementary to that of external auditors such as public accountants and statutory auditors.

The audit is an independent activity of expertise, assisting management in the control of all its activities (form of control by procedures), it must allow (Alazard et Sépari; 2004):

- To measure and improve the reliability of existing financial accounting information systems ;
- Establish effective control systems in all areas of the business.
- An opinion on the effectiveness of the means of control available to managers.

In this sense, and according to RICHARD, SIMONS and BAILLY (1987), the audit responds to the pressing need for control of information at all levels, particularly from an accounting and financial point of view. This has led to the creation of internal and external audit functions and, more recently, audit committees, which are needed in all groups because of the distance between decision-makers and operational staff.

Three main factors explain the existence of an audit request (Pigé, 2001):

- The first reason is to ensure that the audited product complies with the standards. The audit request is a request for product certification.
- The second reason is to verify that internal control is appropriate and efficient. The audit request no longer concerns the product but the control process, which itself determines the quality of the product. The audit shall verify the existence of internal control, its application and its usefulness.
- The third reason is to institute periodic monitoring of the company’s control procedures to ensure that they are appropriate to the activity and that they cover the entire production chain.

Two main types of audit coexist (Langlois, Bonnier et Bringer ; 2007) :

- Accounting and financial audit: Generally, the objective is to certify that the accounts are true and fair. It requires, among other things, verification of the formal compliance of accounting records with legal rules, assessment of internal control and analysis of potential risks. In this context, the accounting and financial auditor must carry out the procedures he considers necessary to certify. In this he has an obligation of means.
- Operational audit: it should contribute to improving the company's performance in all areas of management.

Internal audit exercises an evaluation function within an organisation to examine and assess the proper functioning, consistency and efficiency of its internal control.

To this end, the auditors examine the various activities of the organisation, assess the risks and the system put in place to control them, ensure the quality of the performance in the fulfilment of the entrusted responsibilities and make recommendations to improve its safety and increase its efficiency.

The scope and frequency of internal audits will depend on the organization's strategy, and therefore on the key success factors, but also on the main risks identified, their occurrence and their severity.

Internal audit differs significantly from external audit. This is an independent function of the company whose mission is to certify that the company complies with a standard throughout its operation. Thus, the external accounting and financial audit conducted by the statutory auditors aims to certify the regularity, truthfulness and fair presentation of the company's accounts and financial statements to its stakeholders.

II. The performance:

The concept of performance is polysemic, difficult to understand in a simple way. It feeds on the context in which the observation is situated" (Cadiou, 2008).

Performance has three distinct meanings (Langlois, Bonnier, et Bringer, 2007):

- Performance" is synonymous with success or exploit. The successful company is the one that does better than its competitors.
- Performance is the result (good or bad) of an action. For the enterprise, it is often equated with the financial result determined by accounting.
- Performance is an action that leads to success.

The first two senses of the word refer to past achievements, while the third sense refers to actions that determine future outcomes.

According to H. BOUQUIN (1991), in management, the company's performance can be understood around three key concepts :

- effectiveness is the achievement of objectives and purposes ;
- efficiency is the maximization of the quantity of goods or services obtained from a given quantity of resources ;
- the economy is about getting the resources at the lowest cost.

This variety of performance expressions is combined with the diversity of criteria for characterising performance and the heterogeneity of the objectives pursued by stakeholders.

The questions on the performance criteria chosen by the company are:

- What are we measuring?
- What are the axes of performance?
- For whom is performance assessed?
- In what term?

This requires a rigorous methodology to define it, to measure it by both quantitative and qualitative, objective and subjective approaches in a relevant way and to improve it (Raymond, 2008) (Plauchu; 2012).

Thus, taking into account the different objectives of the company linked to its different stakeholders (stakeholders), it is necessary to carry out measures at all levels (financial, economic, social, organizational and societal).

- Financial performance is measured using the Return On Investment (ROI) and Return On Equity (ROE) indicators (Naas ; 2019) :
- The ROI : this ratio measures the economic profitability that refers to all the elements that contribute to the realization and continuity of the activity of the company in its businesses. It is appreciated through the ratio EBITDA1/Invested Capital. Ratio that allows to tell if the company is efficient or not.
- The ROE: this ratio measures the financial return on capital provided by the owners of the company. It consists of the report : net income/equity. It makes it possible to assess the efficiency of the enterprise in the use of the resources provided by the shareholders. That is, it represents what remains to the company to recover equity, may give rise to the distribution of dividends.
- Economic performance measures the components of a company's competitiveness (price competitiveness and price competitiveness).
- Social performance, the social report summarises the main figures used to assess social performance and social relationships within a company.
- Societal performance: indicates the company's commitment in the environmental, humanitarian and cultural fields. Corporate Social Responsibility (CSR) tools can be used to assess the company's level of performance.
- Organizational performance depends on the organization of the company (flexibility of the hierarchical structure, quality of the flow of information, etc.).

The choice of a performance indicator depends on its quality and its measurement cannot be summed up in a single criterion. The identification of the causal factors of performance must be conducted continuously. This will allow the company to be always up to date with any internal or external changes.

However, the concept is far from being one-dimensional; each one constructs it according to the objectives it assigns to the organization.

Financial issues are taking an increasing place in the management and management of the large company, particularly through the rise of shareholders who are becoming increasingly demanding (Brulhart, 2009).

For this purpose, financial information, in terms of communication on the profitability and the main balances of the company, constitutes the inside information of performance.

For our part, we have chosen to devote this work to putting the audit of fixed assets into a financial dimension of performance.

III. Empirical study:

The mission of the Company of Technical Studies of Oran by abbreviation CTSO is to carry out an auditreport of the accounts of the subsidiaries stopped at 31/12/N, with reference to the standards of the Accounting Financial System (AFS). Whose main objective expected from this mission is to correct their accounts so that their assets and liabilities reflect the economic reality, thus, will have to be used, if necessary, for the financial analyses to be carried out as part of the elaboration of development plans.

III-1-Presentation of the company:

The Company of Technical Studies of Oran by abbreviation CTSO is affiliated to the Group of Infrastructures Studies, Control and Assistance (GEICA), was created by decree No. 79-129 of July 28, 1979 in mono unit located in Oran, under the supervision of the Ministry of Public Works. On November 13, 1989 was transformed into EPE in the legal form Stock Company (SC) with current share capital 400 million Algerian Dinar (AD).

¹ Earnings Before Interest, Taxes, Depreciation and Amortization

CTSO is composed of 9 subsidiaries scattered nationwide, whose business is the services of studies and control of works in the field of infrastructure transport (roads, highways, engineering structures, aerodromes), studies and control and monitoring in the field of the environment and spatial planning, hydraulics, railways, roads and various networks.

The Company is certified since June 2007; the QMS meets the requirements of the ISO 9001/2015 Standard and applies to all activities that take place both at the company's headquarters and on temporary sites such as construction sites.

III-2-The audit engagement :

The mission consists in carrying out an audit of the accounts of the subsidiaries as of 31/12/N, with reference to the standards of the AFS. Whose main objective expected from this mission is to correct their accounts so that their assets and liabilities reflect the economic reality, thus, will be used, if necessary, for the financial analyses to be carried out as part of the elaboration of development plans.

The mission took place for 3 months (October-December) of 2018, with the preparation of an interim report that was reviewed, followed by working sessions that allowed deepening the analysis of the accounts and the proposals for consolidation.

The preparation of the final report shall take into account the observations made by CTSO on the basis of the interim report as well as the conclusions reached as a result of the further investigations.

The mission entrusted to the CIEF is a financial and accounting audit mission. It should be noted that following the investigations, the mission was systematically extended to all the accounts which made it possible to formulate certain recommendations relating to the improvement of internal control and the reliability of the accounts, with the proposal of a reorganization journal for the operations deemed necessary to clarify the financial statements of the company.

The balances of the fixed asset accounts as at 31/12/2016 are as follows (in AD):

Wording	Gross value	Amortized	NCV
Intangible assets	3 938 792,80	3 713 980,30	224 812,50
Tangible capital assets	179 872 833 ,85	77 714037,14	102 158796,72
Ongoing capital assets	0,00	0,00	0,00
Financial fixed assets	81 433 578,81	0,00	81 433 578,81
Total	265 245 205,46	81 428 017,44	183 817 188,03

The proposed discharges of receivables and old debts were carried out both in accordance with the legal and regulatory provisions used for the clearance of the differences of the fixed assets.

The accounting structure manages fixed assets from a physical, financial and accounting point of view, applying the notes and instructions emanating from the hierarchy, without fully complying with all the requirements of the AFS.

Written procedures specifying all the operations to be carried out at each stage of implementation, should make it possible to better manage, at least from an accounting point of view, all the implications that could impact the Company's financial statements.

The tests carried out on the acquisitions of the 2016 financial year showed that the company systematically applies the accounting principle of historical cost, which consists in valuing fixed assets at their purchase or realization cost when they enter its assets.

With regard to depreciation allowances, the auditors encountered difficulties in identifying the depreciation rates applied because the capital asset software is not in use ; the tables were prepared on EXCEL and the rate displayed on the table is not the one used to calculate the depreciation allowances.

Examples :

- For the rate shown on the Excel table of administrative buildings is 11 years, while the depreciation allowance is calculated over 30 years.
- The civil work and infrastructure : the posted rate is 15 years and the calculation was done over a period of 3 years.

There is a need to take the necessary steps to make the fixed asset base more reliable.

The Corporation does not currently apply component accounting for its capital assets. This principle, imposed by the AFS, consists in accounting separately (separate accounts) for equipment with separate items whose useful lives are different or provide economic benefits at a different pace.

In the near future, the company intends to implement this principle for some of these assets that meet the criteria defined by the AFS.

To do this, identification work will have to be undertaken on all significant assets from the assets identified in the next physical inventory of fixed assets.

In addition, a procedure defining the operating procedure, the valuation procedures and the accounting record schemes would be necessary to make this action a reality.

The Company has not put in place a mechanism to identify the existence of possible indications leading it to constitute impairment losses on fixed assets that are affected by these losses in accordance with the requirements of the AFS.

According to CFS, "an entity assesses at each balance sheet date whether there is any internal or external evidence that an asset may have lost value. If such an index exists, the entity shall estimate the recoverable amount of the asset."

This provision could apply to certain CTSO fixed assets, including software and vehicles, which are considered obsolete or show advanced degradation.

To implement this requirement, CTSO, through the Inventory Commission, will have to examine at the end of the inventory operation, the list of its fixed assets in order to decide on the possible existence of internal or external indices of loss of value for each of the categories of its assets (software, land, buildings, transport equipment, technical equipment, etc.). Minutes must be drawn up and signed by the members of the Commission.

The assessment of the indices will be made in relation to elements of information available to the people in charge of this mission on the quality of the goods, market prices, obsolescence, etc ... and their competence. The use of a service from a specialized firm may be considered if necessary.

The validation work carried out by the auditors on the acquisitions of the 2016 financial year led to the conclusion that the acquired fixed assets were correctly measured and recognized.

The largest acquisition is for topographic equipment for an amount of 353 590.00 AD. A review of the record relating to this acquisition did not reveal any discrepancies in its measurement or recognition.

In addition, the auditors had identified an amount of 165 000.00 AD representing an injection pump recorded in the account 218000 transport equipment, reclassified in a charge account 615 "maintenance and repair".

The Company does not have a procedure for the reform and/or disposal of fixed assets.

A decision was taken by the reform commission to sell a lot of reformed vehicles, a lot of office furniture, a lot of computer equipment and many air conditioners, with different price updates (SP of 21/01/2017).

The sale did not take place because two vehicles (4*4) were removed from the list for repair.

CTSO uses the BCSI ORAN software (version 26-10-2016) for its accounting purposes. This software meets the requirements (security and reliability) imposed by Decree 09-110 of 8 April 2009 on the conditions of application of accounting software.

For the monitoring and management of fixed assets the software exists, but is not used, the file of fixed assets is developed on Excel.

The physical inventory was carried out, for the 2016 financial year, and approved by the control commission responsible for the reconciliation of counts and valuation ; the members of the same committee shall sign the minutes relating to the conditions for the conduct of the census.

As CTSO does not have a procedure manual, the audit are based on questionnaires and interviews with managers as well as the use of inventory documents to assess the operation of the physical inventory that has been carried out.

In view of the results obtained from this validation work, the inventory was carried out correctly.

Its reconciliation of the accounts does not reveal any discrepancies.

Note that the team in charge of the inventory did not travel to the various sites, the inventory was taken on the basis of landfills (Vehicles, topographic equipment, GPS), nevertheless CTSO took into consideration our recommendations to apply them on the 2017 inventory.

III-3-Audit of accounts:

CTSO's fixed asset accounts are consistent with physical existing ones. This statement is the fact that the 2016 physical inventory did not show any discrepancies.

However, the assessment made through the accounting principles and methods of the AFS has led to the proposal of some accounting adjustments.

- Intangible assets

Intangible assets, as at 31/12/2016, show the following balances :

Wording	Gross value (GV)	Amort	NCV
Computer software and similar software	3 938 792 ,80	3 713 980,30	224 812,50
Total	3 938 792,80	3 713 980,30	224 812,50

Examination of the "computer software and similar" account through the file of intangible assets and the physical inventory revealed the existence of 4 items, non-operational, requiring clearance.

The other elements are in good condition, and are operational.

The 4 articles in question are as follows :

Article code	Designations	GV	Depreciation	Date	Place
LDKMR1 07	DK meter road software	499 500,00	499 500,00	08/09/2007	Store
LDKMR1 07	DK meter road software	499 500,00	499 500,00	08/09/2007	Store
LDKMR1 07	DK meter road software	499 500,00	499 500,00	08/09/2007	Store
LGC 2 09	Fixed Asset Software	31 500.00	23 625.00	10/12/2009	TPD ADM/F
	Total	1 530 000	1 522 125		

No income is expected from the disposal of these obsolete and reformed items, hence the need to clear them by reversal (depreciation at gross values), since they do not bring any economic benefit to society.

The computer software for monitoring investments exists but it is not operational, the monitoring is carried out on EXCEL (a few years ago the follow-up was carried out on cardboard sheets for each fixed asset).

We propose to note a loss of value following the obsolescence of the software and to update it either or acquire new software.

In January 2018, CTSO acquired a new accounting software (DLG) and another for fixed assets (PC IMMO).

- Tangible capital assets

They constitute 69.10% of the heading of fixed assets. Its balance shall be broken down into the following headings:

Wording	Gross value	Depreciation	NCV
Ground	80 529 380,00	-	80 529 380,00
Building	13 609 747,33	12 339 504,24	1 270 243,09
Works and infrastructures	755 922,00	492 992,66	262 929,34
Refectory	520 344,00	520 344,00	-
Topographic material	18 350 842,08	10 079 880,39	8 270 961,69
Equipment and tools	652 981,91	309 584,41	343 397,50
Transport equipment	45 672 299,28	37 968 325,65	7 703 973,63
Office furniture	784 898,11	559 840,65	225 057,46
Office equipment	12 169 554,89	9 819 317,46	2 350 237,43
Shelters for vehicles	864 679,00	728 904,19	135 774,81
Telephones	525 667,52	245 572,43	280 095,09
Air conditioners	269 978,63	191 059,63	78 919,00
Arrangements and installations	4 865 916,85	4 158 089,17	707 827,68
Refectory	520 344,00	520 344,00	-
Caravans	300 622,25	300 622,25	-
Total	179 872 833,85	77 714 037,13	102 158 796,72

- Accounting principles used

CTSO's tangible fixed assets are recorded in accounting at their acquisition or production cost. The principle of historical cost is therefore retained for their valorization.

Depreciation allowances are recorded on a straight-line basis. Nevertheless, CTSO has several depreciation rates per accounting heading.

Indeed, the depreciation rates are different from one year to the next, the explanation given by the company's managers is that the revaluation operations have modified the rates applied.

According to the auditors opinion, these revaluation operations, the last of which dates from 2004, do not justify changing the depreciation rates each year.

Example for vehicles (other headings are also concerned):

- Acquisition date 2005, rate 5.58%
- Acquisition date 2006, rate 7.50%
- Acquisition date 2007, rate 8.25%
- Acquisition date 2009, rate 13.25%
- Acquisition date 2011, rate 20%

The impact of this anomaly cannot be quantified with sufficient precision. Only in-depth expertise can remedy this.

Land: 80 385 750,00 AD

The value of these two headings (land and immovable property) is justified by the land registers in SETO's possession:

Locations	Surface	Legal situation
Castor section 80 island 05	2870 m ²	Land register n°2843/2016

Castor section 80 island 04	7214 M ²	Land register n° 2842/2016
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The examination of the "Land" accounts revealed a revaluation of built and undeveloped land carried out in 2004.

The land island 05 with an area of 2870 M² belongs to the tenants of the 30 dwellings where 80% of the workers have paid for their housing, (the land is still mortgaged by the bank).

The CIEF recommends to the legal representative of CTSO, to establish the acts of retrocession to the beneficiaries who have repaid and settled, the loan of the National Savings and Provident Fund (CNEP) and keep informed the general meeting of the regularization process undertaken.

The second plot was reassessed on 07/08/2004 by the estates for an amount of 80 385 750.00 AD for

15 000.00 AD per m² with a discount of 25% (15 000.00* 7145.4 m² = 107 181 000.00 AD * 0.75 = 80 385 750.00 AD)

Buildings : 13 609 747.33 AD

The utility year displayed on the EXCEL investment statement is 11 years, when calculating the depreciation allowance it was found that the amount of the endowment is calculated over 30 years.

The building account is composed of:

- Building for a gross amount of 9 526 823.14 AD.
- Sealed for a gross amount of 2 721 949.47 AD fully amortized.
- Carpentry for an amount of 1 360 974.72 AD fully amortized.

Ditto for work and infrastructure (displayed 15 years instead of 23 years).

These errors already appeared on the 2013 balance sheet.

For other tangible fixed assets (excluding land and buildings), their validation was carried out by the physical inventory which made it possible to establish the existence of all the items recorded.

However, equipment proposed for reform (vehicles, office furniture and a batch of air conditioners) with a gross value of AD 4 260 331.67 could, in accordance with the requirements of the AFS, be eliminated from the balance sheet when it leaves the business or when the asset is permanently out of use and the entity no longer expects any future economic benefit from its use or subsequent exit.

With the exception of the two vehicles removed for repair, the rest of the equipment may be affected by this provision of the AFS.

- Other fixed assets

These are financial fixed assets with the following balances :

Wording	GV	Depreciation	NCV
Security paid	76 532 776,50	-	76 532 776,50
Deferred asset taxes	4 900 802,31	-	4 900 802,31
Total	81 433 578,81	-	81 433 578,81

- The guarantees paid shall be distributed as follows :
 - Deposit and security paid: 21 714 346.82 AD.
 - SETIRAIL deposit: 23 880 475.93 AD.
 - Deposit and guarantee MEFSOUKH group: 26 707 437.90 AD.
 - Deposit BENI SAF: 2 616 462.02 AD.
 - Deposit SAETI 305 KM: 1 614 053.83 AD.
 - Deposit and security paid : 21 714 346.82 AD

This item is detailed, by financial year and by show of hands found by CIEF as follows:

Year	Amount including (all taxes included)
Prior to the financial year 2008 (1)	328 792,43
24/03/2008 (1)	-96 583,50
Year 2009	308 616,75
Year 2009 freehand found by CIEF	39 399,75
Year 2010	1 005 381,00
Year 2010 raised hand found by CIEF	7 956,00
Year 2011	1 955 638,92
Year 2011 hand raised found by CIEF	79 706,25
Year 2011 hand raised found by CIEF	20 328,75
Year 2011 hand raised found by CIEF	33 959,25
Year 2012	403 809,24
Year 2013	1 318 979,03
Year 2014	677 693,25
Year 2015	11 056 067,68
Year 2016	4 574 602,02
Total	21 714 346,82

The audit of this account revealed differences between the total of the guarantees paid as posted in the accounts at 31-12-2016 and that of the situation at the level of the finance department, in charge of their follow-up.

- Finance Department : 21 482 137.89 AD
- Accounting Department : 21 714 346.82 AD
- Difference : 232 208.93 AD

This discrepancy must give rise to research with a view to identifying the causes and regularizing it.

In addition, because of the age of certain guarantors, it is important to confirm these operations with third parties and to regularise them if necessary.

Account 275 "Guarantees paid" brings together the various guarantees of good performance for the benefit of the various public works departments.

The analysis of this account made it possible to identify guarantors with more than ten years of existence, accumulating an amount of 328 792.43 AD, which need to be provisioned, or even definitively cleared.

During our investigations, we found the existence of five free hands for the following sureties:

- Raised hand of 24/11/2011 for the market No. 17 of 23/03/2009 public works department (PWD) CHLEF, amount of the deposit 157 599,00 AD, provisioned by the bank at 25% of an amount of 39 399.75 AD.
- Raised hand of 29/06/2014 for the technical study of the road RN14-CW14 PWD TISSEMSILT of 27/10/2010, amount of the guarantee 31 824.00 AD, provisioned by the bank at 25% for an amount of 7 956.00 AD.
- Raised hand of 06/01/2015 for the market No. 100 of 13/12/2010 DTP BECHAR, amount of the deposit 318 825,00 AD, provisioned by the bank at 25% for an amount of 79 706.25 AD.

- Raised hand of 09/12/2014 for the technical study of the construction of the diversion linking RN14-CW17 PWD TISSEMSILT of 27/06/2011, amount of the deposit that appears on the release is 81 315.00 AD.
- Raised on 06/01/2015 for the amendment No. 1 of the market n° 100, deposit No. 4327 of 27/07/2011 DTP BECHAR in the amount of 135 837.00 AD, provisioned by the bank at 25% for an amount of 33 959.25 AD.

Following our recommendations, the raised hands were handed over to the bank (CPA) in February 2018 and March 2018 for the return of the performance bonds.

An impairment loss should be recognized for all sureties in accordance with the following table :

Designations	Amount of the deposit to be provisioned	Rate	Amount of the provision
Pre-2013 bond	401 585,26	100%	401 585,26
Deposit financial year 2013	16 666,65	100%	16 666,65
Deposit financial year 2014	0,00	0%	0,00
Deposit financial year 2015	133 380,00	50%	66 690,00
Deposit financial year 2016	51 918,75	50%	25 959,38
Total	603 550,66		501 901,29

SETIRAIL deposit: 23 880 475.93 AD (25% of the market, CTSO share)

Designations	Amount
SETIRAIL 2012 Deposit	5 194 507,50
Fiscal year 2013	14 854 554,00
Fiscal year 2013	729 413,10
Fiscal year 2016	1 487 947,50
Fiscal year 2016	1 614 053,83
Total	23 880 475,93

The guarantees of 2013 and prior to 2013 were given to us, moreover, because of the seniority of certain guarantees, it is important to confirm these operations with third parties and possibly to proceed to their regularization.

A loss in value should be noted.

For the 2016 guarantees, the projects are in progress.

Deposit and guarantee MEFSOUKH group: 26 707 437.90 AD

Designations	Amount
17/08/2014 ANESRIF	9 651 622,50
Fiscal Year 2015 CGMP	5 790 973,50
Financial year 2015 ANESRIF	1 468 712,70
Financial year 2015 ANESRIF	2 398 277,70
Fiscal Year 2015 CGMP	5 790 973,50
Financial year 2016 ANESRIF	1 606 878,00
Total	23 880 475,93

The deposits of 2014 and 2015 have been given to us, In addition, the projects to which relate are still in progress.

Deposit BENI SAF : 2 616 462.02 AD

Designations	Amount
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Deposit SETIRAI 07/2016	1 319 058,00
Deposit SETIRAI 12/2016	1 297404,02
Total	2 616 462,02

Although our mission is not an expert assessment of the accounts to systematically review CTSO's accounts, our audit covered a significant sample that resulted in fairly large adjustment proposals.

The proposed adjustment entries all relate to the client item in the form of cancellation, reversal of provisions or establishment of new provisions.

The impact of these adjustments is negative on the result of 18 470 723.43 AD.

1. Conclusion:

The Conclusion section presents the outcome of the work by interpreting the findings at a higher level of abstraction than the Discussion and by relating these findings to the motivation stated in the Introduction.

Fixed assets within CTSO constitute an important part of its assets, which determines the implementation of its strategy, which involves divestment decisions rather than investment decisions.

Therefore, the use of an accounting and financial audit (compliance audit) by an independent professional (contractual), using a specific methodology of investigation by reference (SCF standards) in order to :

- reliable information for making appropriate decisions (choices) on (flexibility, productivity, quality, capacity, etc.) ;
- manage and control its fixed capital ;
- maintain its operating cycle (production process) ;
- avoid any harm that may occur.

In this context, the audit process will provide new information and recommend improvements as a lever for improving financial performance. Thus, making this existing information more accessible to the various stakeholders who are particularly interested in the life of CTSO (in a financial communication context), will in one way or another, intervene in the definition of its objectives. This intervention will undoubtedly have an impact on its performance in general.

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