



Morocco's Supreme Audit Institution

A JOINT LEARNING INITIATIVE FOR IMPROVING GOVERNANCE THROUGH EXTERNAL AUDIT



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Foreword

With public financial systems under pressure, governments are increasingly called upon by their citizens to account for the use of public money and the performance of public service delivery. The mandate and activities of supreme audit institutions (SAIs) align with calls from citizens for greater accountability, integrity and transparency in government. SAIs are uniquely positioned to hold governments to account by providing independent oversight of government policies and programmes. Many SAIs go beyond this traditional role and offer insight and foresight by assessing the entire policy cycle to identify opportunities for government to improve the effectiveness, efficiency and economy of policies and programs.

In Morocco, the adoption of the Constitution in 2011 has opened opportunities for in-depth governance reforms. The Constitution and the ambition to join the Open Government Partnership illustrate Morocco's willingness to build reforms upon the principles of accountability, integrity and transparency in public administration. As part of this effort, Morocco is in the process of undertaking a comprehensive overhaul of its public accountability system to advance legal provisions for open government and good governance, for example through their open government action plan. Recent reforms have come with “advanced regionalisation”—devolution of power from central to local authorities—placing further responsibilities and opportunities on regional and local governments and bringing citizens closer to their local governments. At the centre of these changes is the Moroccan Court of Accounts (MCA), as well as the Regional Courts of Accounts (RCAs), which ensure the principles of good governance manifest at the regional level. The audits, evaluations and advisory work of these institutions provide critical inputs for government entities to manage change, fulfil their mandates and meet the demands of the citizenry.

To support Morocco in this effort, the OECD partnered with the MCA for a Joint Learning Initiative, which consisted of a series of advisory sessions (e.g. workshops and seminars), interviews and this report, completed during the fall of 2015 to the summer of 2017. The sessions involved over a dozen international experts from SAIs, and were attended by

many magistrates and auditors of the MCA and RCAs. The initiative, financed by the German Federal Foreign Office, covered a range of topics that the MCA identified as critical, such as strategic planning, risk-based audit programming, change management and quality management. This report highlights key insights and findings for the MCA that came from the sessions and interviews, emphasising the need for improved strategic planning and implementation of fundamental audit functions.

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ACRONYMS & ABBREVIATIONS

AISCCUF	Francophone Organisation of Supreme Audit Institutions
CJF	Code of Financial Jurisdictions (<i>Code des juridictions financières</i>)
EU	European Union
HCP	High Commissioner for Planning (<i>Haut-Commissariat au Plan</i>)
IGAT	Inspectorate General for Territorial Administration (<i>Inspection Générale de l'Administration Territoriale</i>)
IGF	Inspectorate General of Finance (<i>Inspection Générale des Finances</i>)
ISSAI	International Standards of Supreme Audit Institutions
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
LOLF	Organic Budget Law (<i>Loi Organique relative aux Lois de Finances</i>)
LR	Budget Review Act (<i>Loi de règlement</i>)
MCA	Moroccan Court of Accounts (<i>Cour des Comptes du Maroc</i>)
PAC	Public Accounts Committee (<i>Commission de contrôle des finances publiques</i>)
PEFA	Public Expenditure and Financial Accountability (World Bank)
RBAP	Risk-Based Audit Planning
RCA	Regional Courts of Accounts (<i>Cours Régionales des Comptes</i>)
RELF	Report on the Execution of the Finance Law (<i>Rapport sur l'Exécution de la Loi de Finances</i>)
SAI	Supreme Audit Institution
SOE	State-owned or controlled enterprise
TGR	General Treasury of the Kingdom (<i>Trésorerie Générale du Royaume</i>)

Executive Summary

One of the main tasks entrusted to Supreme Audit Institutions (SAIs) is to hold governments to account for the use of public money. They do so by examining whether public funds are spent economically, efficiently and effectively in compliance with existing rules and regulations. In Morocco, recent reforms, including a new Constitution adopted in July 2011, have entrusted the Moroccan Court of Accounts (MCA) with an expanded mandate to monitor the use and management of public funds, strengthen transparency and accountability across levels of government and ensure that good governance and integrity are effectively ingrained in Morocco's public administration. To deliver on its ambitious mandate in a fast-changing policy environment and to make the most efficient use of available resources, the MCA will need to increase efforts aimed at modernising its internal processes, both at the central and regional levels.

Implementing reforms requires a number of preconditions, such as commitment from leadership, effective coordination of key actors and reinforcement of institutional capacity. Building on the series of workshops, seminars and interviews carried out in 2015–16, this Joint Learning Initiative explored ways the MCA could improve how it approaches its work (Strategy) and how it executes in key areas (Action). The report covers these two areas, and provides further considerations within each section according to the following key elements:

- *Strategy: Planning for impact at the MCA*—The MCA has taken steps to improve strategic planning in response to major reforms, but it could benefit from a more robust, long-term strategy. In particular, the MCA could enhance existing efforts to strategically engage with Regional Courts of Accounts (RCAs) by formalising additional guidance, outreach and coordination mechanisms at the regional level. As part of its strategic planning, the MCA could also place greater emphasis on systematically and routinely identifying the needs of key users—audited entities, the Parliament

and the public—then tailoring processes, coordination and communication appropriately.

- *Action: Prioritising key improvements for effective auditing*—The MCA could build on its existing efforts by improving policies and mechanisms for a coherent, harmonised approach to risk-based audit programming that emphasises institutional risks as well as government-wide risks. A risk-based approach should be complemented by a formal quality management function responsible for developing standards and tools for quality control. During the course of this review – in September 2016—the MCA established a quality management function. The MCA could continue to strengthen this function and the culture of quality and integrity within the organisation. Other processes could benefit from further standardisation. In particular, the MCA could strengthen its current approach to performance auditing by further standardising processes and strengthening internal capacity.

This report summarises key findings, challenges and considerations for improvement based on interactions with the MCA and key external stakeholders, including auditees, the Parliament, internal audit bodies and representatives of the private sector and civil society. The report is not meant to be an exhaustive peer review of the MCA, and key areas of the MCA's mandate (e.g. its judicial reviews and financial audits) are intentionally omitted, as a full review of all of the MCA's activities was beyond the scope of the Joint Learning Initiative. This report covers issues that the MCA prioritised as topics for workshops and discussions, and it offers a diagnostic of where the MCA stands in selected areas and suggestions for improvement. This report also aims to highlight the MCA's good practices for the benefit of the broader SAI community, particularly in the MENA region and Africa.

Chapter 1. STRATEGY: PLANNING FOR IMPACT AT THE MOROCCAN COURT OF ACCOUNTS

A strategy that articulates an organisation's vision, goals and objectives is a driving force for action, and the strategic planning process itself can serve as a tool to align perspectives and operations. In Morocco, recent constitutional reforms have led to greater demands on the supreme audit institution, the Moroccan Court of Accounts (MCA). A developed strategy, particularly one with a longer term horizon than any legal, political or socio-economic changes, can serve as a road map for ensuring the MCA effectively fulfills its growing mandate. This chapter explores key considerations and challenges with regards to the MCA's current approach to strategic planning, and suggests areas for improvement.

1.1 Developing a long-term strategy in response to a growing mandate

The MCA has taken steps to improve strategic planning in response to major reforms, but it could benefit from a more robust, long-term strategy.

The Moroccan Court of Accounts (MCA) is responsible for ensuring the protection of the principles and values of good governance, transparency and accountability of state and public bodies through its audits and other related work. Established in 1979 as a financial jurisdiction, the MCA has seen its role and responsibilities gradually expand. Recently, both the Constitution of July 2011 and the revised Organic Budget Law (LOLF) of 2015 provided that the government should be held accountable, not only for the execution of the public budget, but increasingly for the effective, efficient and economical use of public funds. Moreover, the Open Government Action Plan, the National Anti-Corruption Strategy, the new responsibilities conferred to the local level and the revised public financial management system, emphasise the need for more efficient and legitimate policy making and for the MCA to strengthen its strategy and its capacity to meet new demands.

Strategic planning and a coherent strategy are critical for any organisation to effectively fulfil its mandate in a way that is targeted, cost-efficient and methodical for achieving both short-term objectives and long-term goals. The importance of strategic planning is evident across international standards for SAIs. For instance, the International Standards of Supreme Audit Institutions (ISSAI) 20 highlights the importance of maintaining a transparent strategy with stakeholders, including legislative bodies and executive authorities (INTOSAI 2010). Strategic planning refers to the process by which management decisions are taken to determine priorities, focus energy and resources, and ensure that staff and key partners are working toward common outcomes and results. The resulting output is a multi-annual strategic plan used as a tool to communicate the SAI's goals, the actions taken to achieve them and all other critical elements developed during the planning exercise. Effective strategic planning articulates not only where an organisation is going and the actions needed to make progress, but also how it will measure progress and success, against predefined performance indicators.

Over past decades, several legal and constitutional reforms have required fundamental restructuring of the MCA and its work. The MCA's authority now extends beyond financial and compliance auditing to include the assessment of the efficiency, effectiveness and economy of public policies. For instance, since January 2004, and in parallel with Morocco's

“decentralisation” and “deconcentration” reforms, nine Regional Courts of Accounts (RCAs) were created to cover the 16 regions in Morocco, later reduced to 12 regions as a result of a new regional division. Subsequently, three new RCAs were created, thus each region is covered by an RCA.

The RCAs have the responsibility for auditing the accounts of local government and their public corporations, thereby achieving a balanced and integrated control over all stakeholders in the various public finance management chain involving state and local authorities. In addition to the major changes initiated by the 1996 Constitution, the Constitution of July 2011 further expanded the role of the MCA. The Constitution of 2011 entrusted the MCA with the mission to “protect the principles and values of good governance, transparency and accountability.” In particular, the MCA’s authority was extended beyond the control of regularity of expenditures and compliance with rules to include the assessment of the efficiency, effectiveness and economy of public policies. The MCA has also taken on oversight responsibilities for mandatory asset declarations, required of selected senior officials and elected positions (Law 52-06 and 54-06, adopted in 2008). More recently, an amendment to the Code of Financial Jurisdictions in 2016 explicitly added to the MCA’s responsibilities: follow-up on the implementation of recommendations; and audit political parties’ accounts.

The passing of the LOLF in 2015 also has far-reaching consequences on governance in Morocco, including an impact on the type of audits that the MCA performs (see Box 1.1 for additional details about the LOLF). With an enhanced focus on performance monitoring within public sector organisations (e.g. obligation for each ministry, department and agency to adopt multi-annual budgetary frameworks with predetermined targets and performance indicators, and to report annually on the attainment of intermediary goals), the new budgeting system requires the MCA to provide effective support in collecting and assessing the performance information produced in the executive branch. As a result of recent reforms, the MCA has three new missions that directly affect its strategic orientation, including the following:

- Certification of the State’s accounts (Articles 31 and 69 LOLF)—As of 2018, public accounts in Morocco will need to be developed according to a new accrual accounting system (*comptabilité générale*), with the MCA intervening subsequently to certify the Financial Statements and other statements produced from January 2020;
- Assistance to Parliament—in particular in the context of the Budget Review Act (*Loi de règlement*), accompanied by performance

reports compiled by the Ministry of Finance, and performance audit reports (Article 66 LOLF); and

- Evaluation of public policies and programmes.

Box 1.1. Morocco's Organic Budget Law (LOLF) for Improved Transparency and Accountability

The Constitution of 2011 and the adoption of the Organic Budget Law in 2015 (*Loi Organique relative aux Lois de Finances, or LOLF*) demonstrates progress towards improving budget transparency and accountability in Morocco. Over the past decade, Morocco has made ongoing efforts to develop an effective system of good fiscal governance. The LOLF is the widest-reaching in its implications for the entire public financial management system, allocating roles and responsibilities at all stages of the budget cycle with a view to achieving a high-performing, transparent and democratic budgetary process – including through enhanced involvement of Parliament.

Specifically, the LOLF, with implementation spanning from 2016 to 2020, aims at more efficient management of public expenditure with regards to policy goals, via:

- Adoption of multi-annual budget programming at all levels;
- Overhaul of the budget format and classification around newly-designed programmes, projects and actions, each associated with specific policy goals (and no longer according to a classification by administrative unit or nature of expenditure);
- Creation of “programme managers”, accountable for all public expenditure in their fields of operation;
- Presentation to the Parliament of ministerial Annual Performance Plans accompanying the draft Finance Law, and of a consolidated Annual Performance Report accompanying the draft year-end financial report;
- Adoption of the accrual accounting system for programmes, projects, and actions, focusing on the efficiency of public action; and
- Monitoring, audit and evaluation of the performance of expenditure.

The LOLF strengthens the role of the Parliament in the budget debate through provisions like the enhancement of information provided by Government and the revision of the voting modalities of the annual Finance Laws. Moreover, government departments will work to develop a Ministerial Performance Programme to accompany the draft Finance Law, and will present data on their strategies, programmes, objectives and performance indicators. They will also be required to prepare a Ministerial Performance Report, which the Ministry of Finance will consolidate in the Annual Performance Report attached to the year-end financial report and presented to the Parliament during the budget approval cycle. It will be possible to use the feedback obtained in the budgetary process, drawn from the results of performance audit and evaluations.

Box 1.1. Morocco's Organic Budget Law (LOLF) for Improved Transparency and Accountability *(continued)*

The redesign of Morocco's public financial management system has led to increased interest in public policy evaluation. It proposes to develop the annual Finance Laws in reference to a rolling three-year plan, updated annually. The approach consists on the one hand in clearly defining and determining responsibility while explaining the operational objectives and expected results of operations, and on the other hand, granting more flexibility to managers in their capacity as stewards of public expenditure. This will pave the way for evaluating the performance of policy actions through a set of indicators, and will lead to reinforcing the Parliament's control over budget execution through performance audits.

Source: OECD (2015) *Open Government in Morocco*, OECD Public Governance Reviews, OECD Publishing, Paris.

The MCA has taken steps to improve its strategic planning to keep pace with the evolving institutional and policy environment. For instance, the MCA has developed action plans and initiatives over the past few years to modernise internal processes and build capacity. The objectives of this effort include:

- i. adapt the MCA's organisational structure to new audit assignments (new Chambers in charge of the clearance of accounts and the audit of asset disclosures, political parties and electoral campaigns), including at the regional level;
- ii. formalisation of internal policies and guidance through the development of audit manuals and a Code of Conduct for auditors (April 2015), defining standards for ethical conduct and conflict-of-interest prevention (*Charte déontologique des magistrats des juridictions financières*);
- iii. support the deployment of IT infrastructure across chambers through IT Master Plans (*Schéma Directeur Informatique*) for 2016-2018;
- iv. implement and develop a quality management function to develop standards and tools for quality control;
- v. ensure the recruitment and training of highly-competent auditors via competitive examinations and the design of a multi-annual training programme for 2016–18, coinciding with the opening of a new Training Centre in Rabat in September 2015; and
- vi. integrate professional standards and good practices of public sector audit via strategic alliances and cooperation programmes with bilateral and multilateral partners (INTOSAI Development Initiative, AISCCUF French-speaking SAI association and twinning projects with the European Union).

In addition, the MCA has a formal mechanism for audit programming, which consists of meetings of a “Committee of Reports and Programming” (*Comité des Programmes et des Rapports*), chaired by the First President in the presence of the Secretary General and the Presidents of Chambers. The Presidents of the RCAs may attend proceedings on the invitation of the First President. This process aims to define the MCA's objectives, audits and targets for the year ahead, and allocate audit assignments. Audit topics are introduced by Presidents of Chambers to the Committee, following a bottom-up approach where auditors are given a say in the selection of audit assignments, who may also take into account external requests by the Parliament or the government. These activities demonstrate positive steps the MCA has taken to respond strategically to an evolving policy environment, and align itself with ISSAI 10, which calls for SAIs to ensure they are free from direction or interference from the Parliament or the executive branch in selecting audit issues and programming. This includes the independence of regional courts, in terms of audit programming, guaranteed by law. An overview of the Moroccan Court of Accounts is provided in Box 1.2.

The MCA would benefit from establishing a comprehensive multi-year strategy document that outlines a clear strategic vision and plan that extends beyond the annual audit programme and covers the MCA's array of activities. During the course of this initiative, in early 2017, the MCA started developing strategy document for 2017–20 that incorporated the Court's vision, mission, values and objectives. The Court would benefit from strengthening the first draft to include a more detailed plan and stronger references to how and when objectives are to be achieved.

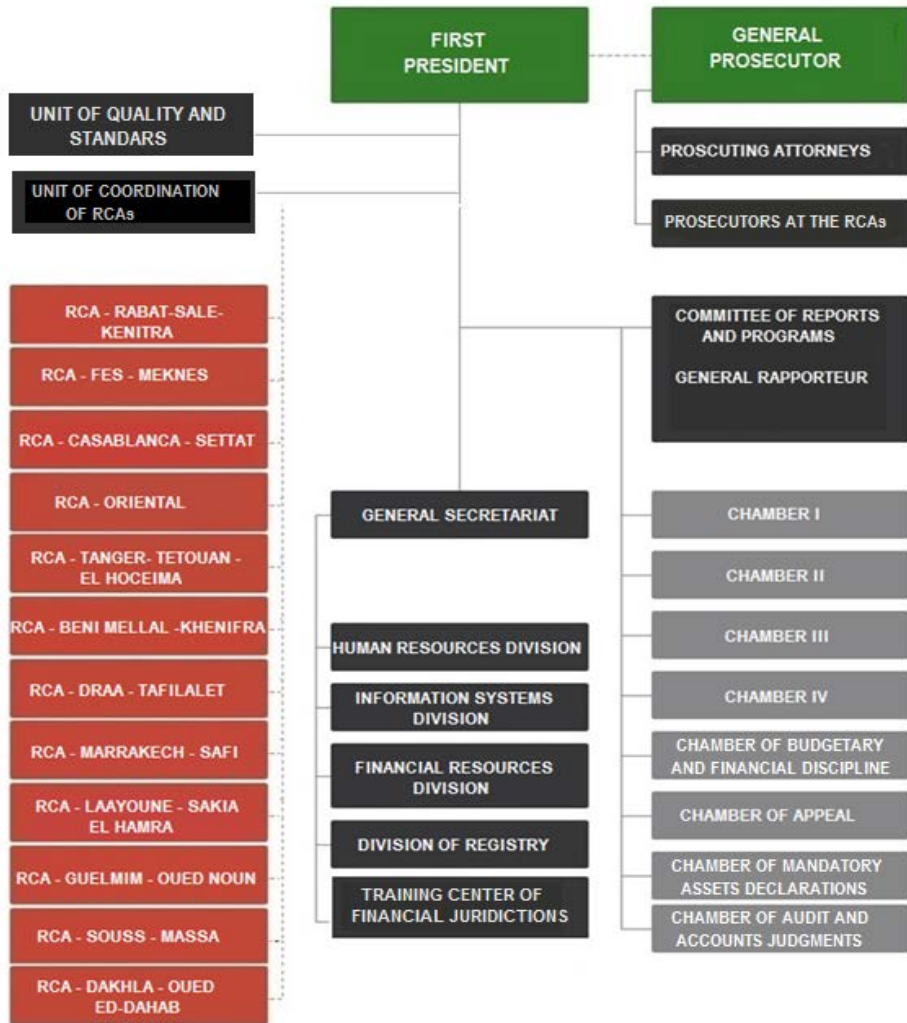
Audit institutions carrying out their responsibilities with limited resources may find it easy to become involved in a daily scramble for resources rather than taking a longer term view. The establishment of a strategic vision and its translation into operational goals, priorities and action plans can bring a number of benefits, such as more effective balancing of new responsibilities, building of shared ownership of intended outcomes, optimisation of internal arrangements and resources, and improvements to the balance between centralised and decentralised approaches to audit. A clear vision and strategy further helps to guide other activities that the MCA currently carries out, such as audit programming. An evolving policy environment makes strategic planning even more necessary in order to target key opportunities and use resources effectively and efficiently. In addition, by translating its vision and mission statement into clear, relevant and formalised objectives, strategic planning would allow the MCA to hone its approaches in other areas as well:

- In general, strategic planning consists of setting out how to meet different responsibilities within the given mandate and achieve various objectives over a determined time period (3, 5 to 10 years) with restricted available resources. It would aid MCA in leveraging its comparative advantage in external audit, highlighting its strong constitutional mandate, functional independence, unique bird's eye view of government operations and its reputation as a trustworthy institution free from political interference;
- Clearly communicate and engage with key stakeholders to achieve the MCA's objectives, promote transparency and accountability, and increase the impact of audit findings;
- Inform decision-makers and coordinate on key operational and tactical issues, such as resource allocation, capacity development and performance measurement, and other efforts like alignment of audit priorities across units and with the RCAs; and
- Mitigate strategic, operational and reputational risks by striking a balance between activities that it can perform most effectively and efficiently (e.g. financial, compliance and performance audits) and other requests and expectations, without compromising its role as a professional and independent audit institution.

Box 1.2. Overview of the Moroccan Court of Accounts

The first attempt to establish an audit mechanism for public administration in Morocco dates back to 1960, with the National Accounts Commission under the Ministry of Finance, however, it was not until 1979 that the Moroccan Court of Accounts (MCA) was created by Law No. 12-79. The MCA was recognised as Morocco's Supreme Audit Institution in the Constitution of 1996. Traditionally, inspired by the Napoleonic model of SAIs used in Latin countries of Europe and francophone Africa, the MCA has both judicial and administrative authority and is independent from the Legislative and Executive branches. While the MCA performs the external audit function for the use and management of public funds, it also has the opportunity to make judgments on the regularity of public spending and the government's compliance with laws and regulations. The MCA's audit scope is wide, encompassing government entities ranging from line ministries, departments, and agencies at the central level, entities and authorities at the regional and local level, as well as commercial and industrial entities under the purview of ministries (e.g. state-owned or controlled enterprises), social security bodies, and other organisations receiving public funding. The MCA maintains 360 professional staff appointed by royal decree (magistrates) as of 2016, with half of them deployed in the Regional Courts.

Box 1.2. Overview of the Moroccan Court of Accounts (continued)



Source: Website of the Moroccan Court of Accounts (www.courdescomptes.ma).

Box 1.2. Overview of the Moroccan Court of Accounts (*continued*)

The MCA enjoys a unique statutory position as a supreme financial jurisdiction endowed with sanctioning and law-enforcement power and strong constitutional guarantees for independence (i.e. equidistance from the Executive and the Legislative branches) together with the security of tenure of its magistrate members (*Statut des magistrats des juridictions financières*). The MCA's audit mandate and scope are anchored in legislation, and its audit powers are clearly defined (*Code des juridictions financières*). According to Morocco's Constitution of 2011, the MCA's independence is guaranteed and manifested through the following provisions:

- The MCAs are independent from the legislative and executive powers.
- The First President and the Attorney General are appointed by His Majesty the King of Morocco.
- The MCA has its own budget and its President is in charge of its implementation.
- The MCA establishes independently its annual programme of action, and decisions by the MCA are taken in a collegial way.

The fundamental objective of the MCA and the Regional Courts of Accounts is to promote the sound management of public funds in order to strengthen good governance, transparency and morality in public affairs. The main mandate of the MCA is to ensure the supreme audit of the execution of the budget. In this regard, the oversight activity carried out by the MCA is dual: judicial control (*contrôle juridictionnel*) and management control (*contrôle de la gestion*) based on results and performance auditing. The MCA also has jurisdiction over ministerial departments and publicly-owned corporations and public entities at the national level as well as the local level. According to the Constitution of 2011, the MCA provides assistance to Parliament and the Government in areas defined by law. In this regard:

- The MCA can respond to the questions raised by Parliament pertaining to the review of the report on the implementation of financial law;
- At the request of the Parliament or the Government, the MCA can perform evaluation missions of public projects and the management of public entities. The MCA can also carry out audit activities of social projects implemented in partnership with United Nations agencies (UNDP, UNFPA, UNICEF); and
- The annual report of the MCA is presented to His Majesty the King covering all its activities, including the implementation of the national budget, and contains proposals to improve the management of public funds. The report is published in the Official Gazette of the Kingdom. The activities of the MCA are also presented to Parliament on an annual basis and are the subject of a presentation by the First President to both Houses. This is followed by a parliamentary debate.

Source: Constitution of the Kingdom of Morocco (2011); Website of the Moroccan Court of Accounts (www.courdescomptes.ma).

New demands directed at the MCA under the Constitution of 2011 make it all the more urgent for the MCA to demonstrate strategic and operational agility by elaborating a formal strategic planning framework. Furthermore, the LOLF requires public institutions to adopt a tri-annual budgetary framework starting in 2018, which further emphasises the need for a robust strategy and sound strategic planning process. In improving its strategic planning process and reflecting a longer time horizon in its strategy, the MCA could consider the following:

- *Establish a systematic planning process to build consensus around intended outcomes and remain responsive to a changing environment.* This could involve needs assessments of the internal and external environment, and analysis of the highest risks in government and among audited entities. Key considerations regarding both strategy formulation and execution include the following:
 - *Strategy formulation*—In this phase, a high-level strategic plan is documented, which include the vision or mission statement. These statements communicate the values, goals and targets expressed by senior management into one written document. It is meant to be concise and memorable, which can emphasise both the wider public benefit, which the MCA intends to promote through its work (e.g. good public governance) and the high professional standards the MCA is aiming for in carrying out its work. This document can describe how different types of audits (e.g. financial, compliance and performance) align with strategic objectives and resource allocation.
 - *Strategy execution*—In this phase, the high-level strategic plan is translated into operational objectives and communicated to staff to ensure organisational alignment and focus across all levels of the MCA. Tools like balanced scorecards can be used to keep track of the execution of activities relative to predetermined objectives and targets. As part of execution, the MCA could ensure the audit programming reflects strategic priorities, as well as risks.
- *Optimise internal arrangements and processes to align strategic objectives with resource management.* This could involve:
 - mapping domains of expertise of all staff to understand the MCA's resource base and skillset, and refining objective criteria for

recruitment and skills-enhancement. This could also feed into performance evaluations of staff, and contribute to ensuring staff motivation and meritocracy across all levels of the MCA; and

- continuing to streamline the MCA’s organisational structure in anticipation for new or increasing activities (e.g. certification, monitoring of budget execution, evaluation of public policies) which call for consistent and documented trade-offs in the allocation of tasks and resources, including within the RCAS where chambers do not systematically replicate the sectorial and judicial divide of the MCA’s Chambers.
- *Consider mechanisms for monitoring and evaluation of organisational performance.* This could involve the design and dissemination of key performance indicators (KPIs) (input, output or outcome-related) designed to measure progress of the MCA’s work. Strategic KPIs are used to monitor the effectiveness and operational efficiency of organisations, and determine gaps between actual and targeted performance objectives. Results from monitoring and evaluation mechanisms can provide useful feedback to reassess the MCA’s strategic orientations and make the necessary adjustments.
- *Link the strategy and activities of the MCA to national goals, emerging risks and trends, as well as international standards.* SAIs that seek to improve their contributions to good governance – or more efficient, effective and economical public policies and programmes – should also ensure their own institutions are governed well and have strategies that clearly set priorities. International principles and benchmarks can offer a framework for the MCA to better understand how it can strategically align itself with principles of good governance. For instance, the United Nations Resolution 69/228, emphasises the need for strengthening SAIs to promote and foster the efficiency, accountability, effectiveness and transparency in government (United Nations, 2014). In addition, ISSAI 12 notes, “objectives and principles [that] are intended for SAIs to strive towards and to enable all SAIs to communicate and promote the value and benefits that they can bring to democracy and accountability in their respective jurisdictions” (INTOSAI, 2013).

1.2 Strategically strengthening the capacity of the Regional Courts of Accounts

MCA could enhance existing efforts to strategically engage with Regional Courts of Accounts (RCAs) by formalising additional guidance, outreach and coordination mechanisms at the regional and local level.

The experience of countries that have undertaken ambitious decentralisation reforms suggests that the decentralisation process should be accompanied by a strengthening of control institutions (OECD, 2014). This should ensure that the resources spent by local municipalities are properly managed and achieve the intended policy outcomes. In Morocco, the major territorial reform introduced in 2010 has had strong implications in terms of work load and resource management for the MCA, as local authorities in the country's provinces, prefectures and regions are being granted increasing competencies and resources to pilot and execute new policies within their jurisdictions. This includes concession-based, delegated management services for basic utilities or other forms of private participation in public service delivery (*gestion déléguée*).

Accountable governance relies on the contributions of many actors across levels of government. In some countries, particularly those with a federal system of government, the external audit function is decentralised or delegated to regional entities. This is the case in Mexico, the United States and Germany, for instance. In other contexts, audit institutions at sub-national levels replicate almost entirely the functions of their national counterparts. In an effort to ensure systematic and consistent audit coverage across levels of government, in parallel with Morocco's decentralisation reform, the MCA has undergone a structural transformation, resulting in the establishment of up to 12 RCAs. Box 1.3 provides additional information on regionalisation in Morocco.

Box 1.3. Morocco's advanced regionalisation project

The decision to undertake a process of “advanced regionalisation” in Morocco was announced by King Mohammed VI on 3 January 2010, as a new phase of the decentralisation policy initiated more than two decades ago. The reform, by devolving power from the national government to regional and local authorities following the principle of subsidiarity, materialised in 2015 with two organic laws (July 2015) and Morocco’s first direct regional elections. The objectives were threefold:

- Bringing decision-making closer to the citizens by promoting local participation in governance;
- Reducing disparities between regions, in a country where economic activity and job opportunities vary greatly between regions (4 out of Morocco’s 12 provinces account for 50% of GDP); and
- Creating public policies that respond to citizens’ needs by enhancing policy coherence and effectiveness at the local level (vs. “silo” work of government departments).

Specifically, the process paved the way for the creation of 12 regional administrative units above the already-existing “*préfectures*” (13) or “*provinces*” (62), and the 1,503 communes (221 urban and 1,282 rural), transferring new competencies and resources to newly-established entities (regional councils and regional agencies). While local governments have yet to achieve administrative and financial autonomy, the Constitution of 2011 represents an important step forward in the development of decentralisation in Morocco, with Section IX enshrining the principle of an “evolutionary decentralisation”.

In support of the regionalisation process, the Constitution of 2011 also called for a new organization of audit activities at the regional level. Specifically, Article 149 provides for the the tasks entrusted to the Regional Courts of Accounts, which are responsible for the control of public accounts and public management within the regions, other local authorities and their groupings. In 2015, to comply with the country's regional division, the number of RCAs was increased to 12 from 9. Functionally, RCAs are independent in terms of programming and the implementation of their mandate, but they remain dependent on the MCA in regards to coordination and resources (human and financial).

Source: Website of the Moroccan Court of Accounts (www.courdescomptes.ma).

In Morocco, the external audit function is centralised within the MCA and supported by RCAs in each of the 12 regions that have varying degrees of autonomy and delegated authority, as defined by law. The RCAs oversee budget execution within the distinctive layers of local public administration. They vary in size and capacity. The RCAs are not legally separate from the MCA, and the MCA manages the budget and overall resource allocation. Nevertheless, the RCAs have *de facto* autonomy, especially in the

determination of their work programme (audit selection and prioritisation) and resource allocation within that programme. The RCAs' annual audit programme is brought to the attention of the First President, who coordinates and monitors the work of the RCAs. However, each RCA defines a selection of potential audit topics at its own discretion. In the absence of a centrally-established methodological framework for audit planning and execution, there is the potential for divergence of approaches across RCAs.

In order to overcome these possible divergences, the MCA maintains a coordinating role for resource allocation and performance management for the RCAs. For instance, the MCA acts as the Court of Appeal for all judgements made by RCAs.. The MCA is responsible for other key roles and activities. For instance, the MCA monitors the execution and completion of audit activities at the local level, takes note of RCA reports and works to ensure alignment and quality of audits, applying standards set by the MCA. Capacity needs at the regional level abound among RCAs, which according to officials, are in need of not only more financial and human resources, but also additional skills and expertise.

Representatives of the MCA and RCAs highlighted challenges the regions face in auditing with limited resources and capacity gaps. Moreover, according to officials, regional and local government entities tend to be rules-based, emphasising compliance with laws over proactive efforts to achieve policy outcomes and improve governance. The MCA's own approach to auditing, which emphasis compliance audits, may encourage this approach. In workshops and interviews, coordination with and among the RCAs was noted as a key challenge and area of potential improvement for the MCA to consider. The MCA has taken steps to improve coordination. For instance, the MCA recently initiated coordinated or "joint audits" grouping audit teams from both the national or regional levels around a common topic (e.g. audit report on the delegated management of basic services and on local tax policy). This effort aims to strengthen collaboration across audit units and encourage the sharing of practices and experiences. Coordination covers almost all professional aspects (programming, methodology, monitoring, recommendations and evaluation) in order to harmonize the work of the RCAs. To meet the needs of RCAs, the MCA has begun preparing a "Partnership Programme" to aid them in better management of their workload and achieving results. The MCA also organises regular trainings addressed to magistrates of the RCA to encourage the convergence of practices and strengthen capacity. This effort signals MCA's effort to go beyond ad-hoc approaches for ongoing management of issues related to the RCA towards a more systematic, strategic approach. In developing its strategy for advancing accountability

at all levels of government, MCA could consider applying key aspects of capacity building elaborated on by the International Organisation of Supreme Audit Institutions (INTOSAI) and the Arab Organization of Supreme Audit Institutions (ARABOSAI). As the MCA develops its approach to improve capacity and coordination, it could benefit from the following considerations, many of which are reflected in INTOSAI's capacity-building guide (INTOSAI 2007):

- *Ensure the Partnership Programme clearly defines activities for learning from the MCA and RCA's experience and sustaining results.* This would include mechanisms to evaluate performance and measure impacts, as well as providing for financial and human resources to ensure immediate investments have long-term benefits.
- *Building knowledge through improved internal guidance and manuals on both core auditing and key thematic topics of the MCA's Chambers.* Manuals could be developed in a way that is accessible, accurate, clear and relevant (INTOSAI 2007), based on input from the national audit office (i.e. MCA) as well as the 12 RCAs. The development of such manuals can also promote coordination, brainstorming and coherence among interpretations of existing policies, rules and guidelines.
- *Continue investing in staff resources and professionalisation.* This could include pursuing the ongoing recruitment effort at the MCA and consider increasing the proportion of new recruits allocated to RCAs, based on local needs. In addition, MCA could benefit from greater formalisation and promotion of career progression and vertical mobility of staff between the MCA and the RCAs.
- *Enhancing coordination and cooperation among RCAs in order to ensure uniform territorial coverage and avoid gaps or loopholes.* The RCAs could establish thematic working groups to help develop coherent approaches in key areas, such as improving budget responsibility, performance auditing and strengthening information technology systems. Greater coordination with the RCA could also focus on further developing joint audits in key, high-risk sectors, thereby promoting knowledge sharing and coherence.

1.3 Planning for effective engagement with key external stakeholders

As part of its strategic planning, the MCA could place greater emphasis on systematically and routinely identifying the needs of key users—audited entities, the Parliament and the public—then tailoring processes, coordination and communication appropriately.

Maintaining effective communication and coordination with external entities, as necessary, has a number of benefits for SAIs with regards to fulfilling their mandates. For instance, maintaining productive relations with audited entities, while ensuring independence, can help to facilitate the audit process and encourage sharing of information. This in turn can lead to more relevant findings and improved uptake of recommendations. Similarly, effective communication with the Parliament can help to ensure that audit reports are targeted, relevant and used to inform policy and budgetary decisions.

Strategically considering how an SAI engages and communicates with audited entities and other external users of its work is critical for maintaining relevance and impact. International standards call for SAIs to lead by example and “demonstrate ongoing relevance to citizens, parliament and other stakeholders” (ISSAI 12). Taking a strategic approach of engaging outside of the organisation is critical for meeting this standard. The following discussion provides an overview of the MCA’s communication and coordination with audited entities and the Parliament, as well as related challenges.

The MCA and audited entities

Since 2011, the MCA has been subject to the constitutional obligation to publish all its work, including special reports and judicial decisions, in addition to its Annual Report. Other communication vehicles for the MCA’s activities include web posting of selected (thematic) reports, which increasingly benefit from high media coverage, contributing to prompt quick government action. These generally include user-friendly “executive summaries” with key findings and recommendations, as well as responses provided by audited entities, as appropriate.

During the course of its audits, the MCA routinely engages with auditees. For instance, the MCA sends engagement letters to auditees to inform them of new work, and meets with senior management from the audited body to discuss the scope, goals, duration and requirements for the audit. Towards the end of an audit engagement, it is recommended that the MCA hold wrap-up meetings with managers of the audited entity to collect feedback and to ensure that the responses on the comments are taken into

account in the final report. The MCA ensures systematic audit follow-up, generally after a two-year period. This can take either the form of documented correspondence asking the auditee to report on corrective actions taken in response to audit recommendations, or specific follow-up audits designed to ensure the effective implementation of recommendations in cases of high risk or materiality. In 2010, the MCA carried out 26 follow-up missions. Such activities help the MCA to align with international standards that call for effective follow-up mechanisms on recommendations, such as Principle 7 of the Mexico Declaration on SAI Independence (INTOSAI 2007a).

The MCA has an overall framework for engaging with auditees based on good practices, but the follow-up process could benefit from further consistency and standardisation of processes across audit entities, including the MCA's Chambers as well as the RCAs. These entities have *de facto* discretionary power to determine the exact modalities for follow-up, leading to different approaches within the MCA and RCAs. For instance, one audited entity expressed that it did not receive sufficient information about the mission duration and scope, and it was not prepared to anticipate the information requests received, leading to disturbances in daily operations.

Further, according to officials of one audited entity, the MCA does not always share draft recommendations before they are finalised and included in an audit report. Moreover, in the case of public agencies under the auspices of a line ministry, the audit report is directly communicated to the Minister instead of the auditee itself. This line of reporting has the potential to undermine the take-up of recommendations and create administrative burdens. Strategic planning on the needs of its users, and adapting its approach in response to these needs, could help the MCA to avoid such issues, and ultimately strengthen accountability through more effective communication and implementation of recommendations.

The MCA and the Parliament

Traditional relations between the MCA and the Parliament relate to budget oversight and monitoring, as defined in the Constitution of 2011. This takes the form of the adoption by Parliament of the Budget Review Act, based on the MCA's annual report. In addition, the MCA communicates its results and engages Parliamentarians through other mechanisms. For instance, the First President of the MCA delivers an annual speech to both Houses of Parliament on the MCA's activities and its reports.

The MCA's annual report is comprehensive, involves a lengthy process and often encounters delays. For example, the 2014 Annual Report was more than 1,600 pages and not published in its entirety until March 2016.

The law provides that the annual report must be presented to His Majesty the King within one year, with the report to be published following this presentation. Although a full year is given for preparing this report, the law does not disallow an earlier tabling. SAIs often report within six months of the end of the financial year. For example, the Australian National Audit Office (ANAO) published its 2015–16 Annual Report within three months of the end of the financial year—with the report presented to the Parliament and made public simultaneously. According to the World Bank’s Public Financial Management Performance Report, the MCA has worked to improve the timeliness of this report to better inform budgetary decisions (World Bank 2009), but opportunities remain to improve the timeliness of this key product for the MCA.

To build the oversight capacity in Parliament, a parliamentary committee—the Committee of Public Finance Control (Control Committee)—was created in April 2014 under the Lower House of Parliament. Forty-three members from a wide array of political parties are represented on the committee. As part of its oversight tasks, the committee provides analysis of the MCA’s year-end reports, evaluates public policies and programmes through *ad hoc* audit requests sent to the MCA, and monitors public financial management and budgeting reforms. The creation of this committee is a positive step forward in strengthening oversight and accountability in government, as well as improving the use of the MCA’s work for decision making. Nonetheless, OECD’s discussions with MCA officials and other stakeholders suggest that further improvements could be made to clarify the expectations of the committee, define the role of the committee vis-à-vis the independence of the MCA, and communicate the added value of the MCA for the Parliament.

According to some officials, the creation of the Control Committee, which is responsible for directly liaising with the MCA, did not come with the necessary resources that would allow it to effectively fulfil its mission. Moreover, there appeared to be reluctance within the MCA to respond to audit requests from the committee. According to representatives of the Control Committee, out of 18 such requests sent by the committee over 2015, only four were formally accepted by the MCA. According to the MCA, if it had accepted all 18 requests, it could not have included other audits in its programme. The relations between the MCA and the Parliament are framed by the Constitution, and requests for assistance must be formal and the MCA may respond favourably or adversely to the request based on its ability to perform the work requested. Although SAIs usually take a parliament’s concerns and priorities into account during its audit programming, a Supreme Audit Institution should not be directed by a legislative body or expected to complete specific audits—this would be a

violation of the independence that a Supreme Audit Institution needs to maintain to be effective in its role. The MCA should consider establishing a more regular liaison process for engaging the Parliament and the Control Committee, and communicating its annual audit programme. This could assist with reducing misunderstandings regarding the MCA's role and programme of work—while safeguarding the independence of the MCA.

The linkage between SAIs and the Parliament, and the ability of the latter to make effective use of the SAI's audit reports, can create a break in the accountability chain. For instance, in Mexico, the Congress' process of analysing and formulating an opinion on the public account is still in progress for 8 out of the 14 years since 2000 (Congress of Mexico, 2015). For those eight years, the accountability and audit cycle, as envisioned in the Mexican Constitution and legislation, is incomplete. Working relationships between the SAI and the Parliament can be limited or very formal, with many SAIs doing little more than sending and sometimes presenting their annual report, without further communication about the contents and key areas for action by legislators (see Box 1.4 for examples of SAI engagement with parliaments). Yet, parliaments can be more effective in their oversight function when they use and rely upon the SAI's audit work as input into decision making processes.

In Morocco, raising the level and quality of relations between the MCA and the Parliament, from the perspective of the MCA, begins with strategic planning as part of its broader long-term strategy. A more strategic approach for engaging with the Parliament, in light of increased interactions with the Lower House (*Chambre des Représentants*) and its newly-established Committee on budgetary oversight, would help to substantially enhance the MCA's impact and relevance for this key users of its work. In addition, more consistent and structured collaboration with the Parliament could make the case for strengthening analytical capacities of parliamentarians to use the MCA's work and provide effective oversight on government activities.

Box 1.4. Examples of SAI Engagement with the Legislative Branch

Beyond disclosing information on its end products, a high-performing SAI engages effectively with its key stakeholders in a variety of ways. Those stakeholders, from the Parliament to civil society organisations and public institutions subject to its control, can rapidly become natural allies for SAIs, “partners for good governance”, and play important roles in advocating government integrity, transparency and accountability. In engaging effectively with them beyond one-way information flows, the MCA not only assumes a leadership role, but may as well gain valuable insight into residual risk areas within its portfolio. In addition, in order to better communicate their value and results to an array of stakeholders, many SAIs have developed outreach and communication strategies to clarify how they intend users to take advantage of their work. Trust-building and educational measures, as well as media relations, constitute avenues through which the SAI can enhance its impact, by increasing demand for greater accountability. The following are examples from selected SAIs and their approaches for engaging with the legislative branch.

Post-election meetings for new Parliamentary Committee members: Sweden’s National Audit Office

Every four years following the general election, new members are appointed to the Swedish Parliamentary Committees. To ensure that these new members better understand the work of the Swedish National Audit Office (SNAO) once the Committees are constituted, the SNAO invites representatives to visit the office. During these visits, the Auditors General and staff 1) provide an overview of the SNAO and its mission, and 2) describe the ongoing audit activities and planned audits which may fall within the visiting Committee’s area of interest. The meeting format is relatively informal and encourages questions and discussions. As such, it is an opportunity for knowledge exchange and networking.

Departmental overviews used to brief selected committees: UK National Audit Office

The work of the UK’s National Audit Office (NAO) informs the scrutiny of government by parliamentary select committees, particularly the Committee of Public Accounts, for whom we provide a wide range of reports, briefings and other analysis to support their hearings into the value for money of public spending. The NAO also supports other parliamentary select committees on issues where it has expertise relevant to their inquiries. To inform these - committees about its work, the NAO prepares departmental overview reports that summarise its work on each major department, and shares these with the relevant parliamentary select committees in advance of the annual reviews of government departments that they carry out. Departmental overviews provide an array of useful information for the committees about the NAO’s work that is about the Executive department relevant to the committees’ area of interest, including:

- a summary of their department’s activity and performance over the past year, based primarily on published sources, including the department’s own accounts and the work of the NAO.

Box 1.4. Examples of SAIs' Engagement with the Legislative Branch *(continued)*

- information on how the department is organised, recent and planned changes to the department's spending and any major changes or developments in policies and how they were delivered.
- major developments that the department has planned for the coming year, such as major structural changes, new policies that will come into force, legislation that is going through Parliament, and any large contracts that have to be renegotiated.
- main findings of its most recent financial audit of the department's accounts that would be of interest to the committee; and
- a summary of key findings of any value-for-money, performance improvement or investigative work it carries out on the department over the last year and what the department has committed to do in response.

Source: OECD Secretariat, from EUROSAI (2014) and International Budget Partnership (2016), "Shackled Auditors, Toothless Legislatures: Why Government Oversight is Unable to Deliver Budget Accountability", Open Budget Survey 2015. EUROSAI (2014), Sharing Good Practices among Supreme Audit Institutions, EUROSAI Innovations: Volume II.

Towards a tailored, strategic approach to engaging with auditees and the Parliament

The MCA has a number of processes and mechanisms for engaging with stakeholders to strengthen accountability, integrity and transparency in the Moroccan government. The formalisation of the MCA's approach for engaging with stakeholders is still in development, but many of the MCA's current efforts align with international standards. For instance, ISSAI 100 notes that SAIs have the responsibility to communicate audit-related matters to stakeholders, such as the Parliament and other oversight bodies. In addition, INTOSAI's *Lima Declaration of Guidelines on Auditing Precepts* calls for SAIs, whatever the institutional and legal conditions and requirements in place, to report its findings annually and independently to Parliament and to the general public as part of their transparency and accountability obligations (ISSAI 1977). To further align with such standards, opportunities remain for the MCA to improve how it engages with key entities, starting with planning and thinking strategically about the various users of its reports. In developing this element of its strategy, the MCA can consider the following:

- *Define and prioritise core target audiences based on importance and relevance as key users, as well as clear, measurable objectives.* The relevance and usefulness of the MCA's reports varies by actors. For instance, audited entities that are the subject

of an evaluation are the MCA's highest priority and may benefit from more technical details, while such content could negatively affect the readability of the report for other users, such as policy makers or the public. Defining and prioritising target audiences in its strategy can help the MCA to then determine whether its work is scoped appropriately, and communication vehicles are tailored to core target audiences.

- *Tailor messages and products to users.* In taking a more strategic approach to its communications, the MCA could invest in a wider range of products to communicate its findings, recommendations and activities to different audiences. As part of this effort, the MCA could test different approaches and vehicles for disseminating audit work (e.g. ICTs) to selected audiences and to the general public, such as summaries/one-pagers to aggregate findings and recommendations from audits in related sectors. To aid in taking a more strategic approach, the MCA could also seek feedback from its users, and adapt its communication practices accordingly. The MCA could also conduct surveys to help it measure stakeholder satisfaction with its work, as done by the supreme audit institutions of Canada, Australia and the European Court of Auditors, among others.
- *Consider the scope and extent of interaction with the audited entities and the Parliament in an advisory capacity.* The MCA's engagement with stakeholders is not limited to interactions during the formal audit cycle or budgetary process. For instance, the MCA could contribute to developing the analytical capacity and knowledge of the Parliament on budgetary matters, or could offer advisory sessions for audited entities on selected themes. Such actions can help to foster legislative action and promote greater understanding and buy-in of audit results.
- *Promote constructive engagement with external stakeholders from the private sector as well as from civil society.* The MCA could benefit from strategically engaging with actors outside of the public sector, particularly in the context of Morocco's newly-launched *National Anti-Corruption Strategy for 2015–25*, which promotes broad participation for combating corruption. Such engagement could aid the MCA in contributing to the prevention of fraud and corruption, and identifying emerging risks in society. Annual consultations with professional associations of auditors/accountants and civil society organisations could further contribute to the exchange of best practices, sharing of knowledge, and can serve as a useful feedback loop for the MCA. In addition,

input from such stakeholders could help the MCA to refine its audit programming, and ensure its activities are responsive to concerns and priorities of citizens.

- *For audited entities, the MCA could communicate clearer expectations, timetables and activities.* The MCA could establish, ahead of each audit engagement, a clear process and timetable for communicating with the auditee at each stage of the audit. This will help anchor expectations, create trust and predictability, including on the auditee side, and minimise disturbance in its daily operations.
- *For the Parliament, the MCA could formalise communications.* Establishing a formal partnership with the Parliament, including a communication channel for informing on planned availability of the MCA (including duration of audits), annual programme of work, and final audit reports. Specifically, this will contribute to awareness among parliamentary committees to the work of the MCA and the role Control Committee in centralising special requests and ensuring effective take-up of audit recommendations.

The MCA could strengthen its strategy for coordinating and communicating with internal audit bodies, and other external stakeholders, to promote coherence of integrity initiatives in the public sector.

Historically, Morocco enjoys a long-standing tradition of centralised ministerial inspection services inherited from the French system. As early as 1960, the Inspectorate-General of Finance (IGF) was created under the umbrella of the Ministry of Finance to provide financial assurance over the accounts of central and local government entities. With 65 inspectors, this cross-ministerial control and audit body has the authority to carry out audits and investigations in a number of areas and public institutions. This includes public accounts, state-owned or controlled enterprises, local councils and other entities receiving public funding.

Other oversight bodies complement the work of IGF. For instance, twenty-four ministerial inspection services in each ministry or government department, as well as territorial inspection services (*Inspection Générale de l'Administration Territoriale*) under the authority of the Ministry of Interior, which are responsible for the oversight of public management at the local level. Moreover, audit committees and units, attached to the board of a variety of state-owned and controlled enterprises (SOE), provide oversight of SOEs. This non-exhaustive listing exemplifies the shared responsibility of

various internal audit entities across ministries, public agencies and local governments in Morocco.

The IGF has experienced significant growth in recent years, in part due to cooperation agreements with international bodies (World Bank and EU twinning projects), a five-year strategic plan (including a training programme) and the development of “poles of excellence” within the institution, supporting technical specialisation in audit, inspection, evaluation and research. The IGF is also developing follow-up matrices for its recommendations, and is actively designing an internal audit manual (*référentiel de contrôle interne*) for wider use across government departments and agencies. In addition, the IGF is developing a project to incorporate performance audit results in the budget law documents transmitted to the Parliament—a key requirement under the Organic Budget Law (LOLF), described in section 1.1.

To mitigate this risk of overlap and duplication, legal provisions require the IGF to submit reports to the MCA via the Finance Minister. However, opportunities remain to enhance coordination between the MCA and IGF. The MCA has interest in liaising further with the IGF and other auditors to avoid duplication of efforts and maximise audit coverage. The new responsibilities assigned to the MCA, requiring additional information on the audit universe, as well as the MCA’s mandate to ensure the effectiveness of internal control in the public sector, call for enhancing the coordination mechanisms with other oversight entities.

Clarifying the policies and mechanisms for communication and coordination between the MCA and other oversight bodies has benefits beyond the avoidance of duplication, fragmentation and overlap. For instance, internal auditors offer a source of information for corruption and fraud risks that they encounter in their daily work, which can inform the MCA’s own audits of internal control systems. This can also help the MCA when analysing high risks in government as part of its risk-based audit programming. For internal audit bodies, engaging with the MCA could help to raise the profile of their own work, and emphasise the importance of the internal audit in recommendations and findings on integrity issues.

The MCA’s communication and coordination with internal audit entities is largely characterised by *ad hoc* exchange of information, which reflects the experience of other SAIs (see Box 1.5 below). Improved cooperation between the MCA and the IGF, in particular, relies on a number of factors, not least of which is a commitment on both sides to take an active role and to leverage the potential cost-saving effect and efficiency gains for improved public sector auditing. As encouraged by INTOSAI GOV 9150 on “Coordination and Cooperation between SAIs and Internal Auditors in the

Public Sector” (2010), it would do so by promoting early, regular and structured exchanges of views, experiences and expertise.

Box 1.5. Joint study shows benefits and best practices for better co-ordination and co-operation between external and internal control entities

In 2014, EUROSAI-ECIIA published a study that elaborated on mechanisms and challenges for co-operation and co-ordination between external and internal audit entities. The following are some of the key findings from the report:

1. A very large majority of SAIs state using international standards or international references regarding co-ordination and co-operation with internal audit institutions. Most of them refer in general to the International Standards for Supreme Audit Institutions (ISSAIs), International Standards on Auditing (ISAs) and INTOSAI’s GOV standards, such as ISSAI 1610, ISA 610, INTOSAI GOV 9140 and INTOSAI GOV 9150. Only a minority have explicit, written SAI internal rules, such as auditing manuals, standards, guidance, procedures or checklists, documenting and formalising the co-ordination and co-operation channels.
2. Co-ordination and co-operation between SAIs and internal auditors is often described as “informal,” which can be difficult to assess or ensure the quality of its implementation.
3. The most common benefits of co-operation and co-ordination cited include:
 - Promoting good governance by exchange of ideas and knowledge.
 - More effective and efficient audits based on a clearer understanding of respective audit roles with better coordinated internal and external audit activity resulting from coordinated planning and communication.
 - Refined audit scope for SAIs and internal auditors. However, almost half of the responding SAIs state they experience risks or see potential risks from co-ordination co-operation.
4. A majority of SAIs pursued co-ordination and co-operation largely in the following areas:
 - evaluating the audited entity’s internal control framework and risk management;
 - evaluating the entity’s compliance with laws and regulations; and
 - documenting the entity’s systems and operational processes.

Source: EUROSAI-ECIIA (2014), “Co-ordination and Co-operation between Supreme Audit Institutions and Internal Auditors in the Public Sector”, joint paper, www.ecija.eu/wp-content/uploads/2014/05/EUROSAI_ECIIA_Joint_Paper; presented in OECD (2017), Mexico’s National Auditing System: Strengthening Accountable Governance, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264264748-en05052014.pdf>.

Other integrity and accountability actors also share common goals with the MCA, and are worth considering when thinking about with whom and how the MCA can more strategically engage with external actors. For instance, relations with other public bodies in charge of advisory, oversight or even law-enforcement functions (e.g. *Haut-Commissariat au Plan*, *Instance Centrale de Prévention de la Corruption*, *Institution du Médiateur du Royaume*) could benefit from greater exchange of experiences and information with the MCA on issues such as economic foresight and corruption prevention. Without compromising its independence, this would help the MCA deepen its understanding of major trends and undertake a meaningful dialogue with such stakeholders about how the SAI's work can facilitate improvement in the public sector.

In addition, independent constitutional institutions in charge of good governance, such as the *Instance Centrale de Prévention de la Corruption*, responsible for corruption prevention, and the *Institution du Médiateur du Royaume*, dealing with citizens' complaints against the public administration, are also relevant stakeholders, as are entities in the private sector, civil society organisations, research institutions, and the media. These actors can offer unique perspectives that can inform the MCA's strategic planning, risk-based audit programming and scope of audits. For example, the *Institution du Médiateur*, the country's ombudsman, has a unique relationship with citizenry across the entire social and territorial spectrum, and is thus well-positioned to identify potential integrity and accountability risks and maladministration and to advise on emerging issues (OECD 2013, Open Government in Morocco). The *Instance Centrale de Prévention de la Corruption*—which will become a constitutional institution—plays an active role in integrity policy design and implementation, and has developed expertise on corruption-prone areas in a variety of sectors, including public administration, health, and transportation. The MCA could also benefit from the ICPC and *Institution du Médiateur*'s joint projects on good governance with civil society, which aim to prevent maladministration and corruption at the local level. Civil society organisations (CSO) also provide valuable insight from outside government.

The MCA could incorporate, as part of a broader engagement strategy, its approach for communicating and coordinating with internal audit bodies, in particular.

This could include developing a protocol for cooperation with the IGF, designed to build a strategic alliance among a key oversight body that performs a similar audit function. Consideration for enhancing coordination and communication include: i) systematic and early exchange of forward

audit programmes in order to inform each other of the audits to be conducted in the following year, and exchange of finalised audit reports for information purposes; ii) clear definition of tasks and responsibilities in the revised performance-based budgeting system; and iii) unified approaches and methodological framework for assessing internal control and risk management functions.

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Chapter 2. ACTION: PRIORITISING KEY IMPROVEMENTS FOR EFFECTIVE AUDITING

In moving from strategy to implementation, key areas of operations for supreme audit institutions take precedence. Activities, such as risk-based audit programming, quality management and conducting performance audits, are all fundamental elements of the internal functioning of an SAI. They are particularly important in resource-constrained environments that place heavy demands on cost-effective use of government funds. These activities are all geared towards improved effectiveness, efficiency and economy in government, including ways for the MCA itself to improve its operations to this end. This section explores these topics and shares key findings and considerations for improvement, based on workshops, interviews and research of the MCA's efforts in these areas.

2.1 Ensure effective and efficient allocation of resources through risk-based audit programming

The MCA could build on its existing efforts by improving policies and mechanisms for a coherent, harmonised approach to risk-based audit programming that emphasises institutional risks as well as government-wide risks.

In an era of “doing more with less,” Supreme Audit Institutions (SAIs) have had to change how they approach their own work and the way they allocate scarce resources in order to address new demands. To respond to this challenge, many SAIs have developed ways to incorporate risk management principles into the design and management of their audit portfolios. For the MCA, particularly given its expanded mandate, developing approaches to manage resources effectively and cost-efficiently is critical in a resource-constrained environment. Risk-based audit programming is one lever for audit institutions to deal effectively with an enlarged audit portfolio, avoid overextension and optimise coverage of the audit universe by tacking the highest risks in government.

Risk-based audit programming is increasingly used to prioritise audits taking into account the importance of risks within the audit universe (e.g. considerations of materiality and time since the last audit). In general, selected audits focus on high-risk areas, based on predetermined risk assessment methodologies, thereby addressing processes and entities where financial and performance issues are the most salient. The MCA has policies and processes for selected high-priority audits, and obtaining input across the institution to this end; however, a formal programming that accounts for risks across government systematically remains a work in progress. This section explores the MCA’s current efforts in risk-based audit programming, and identifies potential areas for improvement.

Within the MCA, audit programming is the primary responsibility of the Committee of Reports and Programming (*Comité des Rapports et Programmes*) set out by law under the chairmanship of the First President. The MCA’s approach to audit programming uses a mix of bottom-up and top-down contributions from a variety of sources, and aims to maintain independence of the MCA from external interference and promote a collegial process. For example, within each audit department, individual auditors are invited to suggest audit topics for inclusion in the annual programme of work to their respective manager (head of section), in the form of a template explanatory document (“*fiches de mission*”).

The MCA does not currently have a formal, systematic processes risk-based audit programming, relative to other SAIs, and heterogeneous practices are observed across chambers, particularly within Regional Courts of Accounts. However, the MCA adopted an audit programming process that involves consideration of risks in the audit universe. For instance, the MCA considers various risk indicators, such as the size of audited entity and financial impact, frequency of audits, complaints and external requests. Audit selection also involves consideration of available resources, types of audits to be conducted and staff capabilities. Risk-based audit programming relies primarily on a good prior understanding of the audit universe: developing a customised “risk map” containing all relevant risk information on individual entities and horizontal programmes. The MCA has started to develop “permanent files” (*dossiers permanents*) for selected audited entities, which need periodic reassessment.

The MCA’s audit universe is large and evolving in the wake of structural governance reforms ongoing in Morocco. To meet the challenges of a growing mandate, the MCA could consider how to optimise the value and impact of its audits given limitations of available resources. Fundamental principles for auditing in the public sector highlight the importance of selecting and prioritising engagements in order to respond to mandates and legislative requirements (INTOSAI 2013). In addition, standards for SAIs note that risk assessment, among other factors, can help to determine the subject matter and scope of audits (INTOSAI 2010). In order to optimise the use and allocation of available resources, and tackle the highest risks in the audit universe, the MCA would greatly benefit from strengthening its methodological framework for audit programming over the annual timeframe.

SAIs undertake both obligatory (i.e. legally-bound) as well as discretionary audit tasks. A major challenge for them is to carry out the obligatory tasks as efficiently and effectively as possible in order to maximise the resources available for undertaking the discretionary tasks, while the latter should be selected in a way which address important issues and thereby optimises the impact of the resources available. Risk-based audit programming is based on a clear vision and audit strategy, providing the principles and objectives that will serve for determining risk criteria to prioritise activities. As the MCA has begun doing, risk-based audit programming requires enumerating a limited number of risk criteria selected as relevant for audit prioritisation. Other criteria may be added on top of the RBA approach to avoid overlap, duplication or areas remaining out of scope. That is, while risk-based audit programming defines what a SAI will audit, it is also clearly defining what it will not be auditing and why (see Box 2.1 for additional details).

Box 2.1. Risk-based audit programming for Supreme Audit Institutions

Audit institutions can take different approaches to audit programming—depending, in part, on their mandate and level of discretionary authority and independence. One example is the “cycle-based” approach, whereby all entities in an audit universe (i.e. the range of organisations and activities that can be audited) are audited in year-based cycles, such as every 3 to 5 years. This approach ensures a total coverage of the audit universe within a certain timeframe, yet some audits may have limited or no value. Another approach is the “audit-on-demand” or “incident-based” audit programming. This approach involves responding to the demands or requests related to specific matters or incidents. For instance, in some countries, SAIs respond to specific requests of the Parliament, and they reserve resources for this purpose.

The “risk-based” approach focuses audit capacity and efforts on key risk areas of the audit universe. For SAIs facing an expanded audit mandate, a risk-based approach facilitates prioritisation of audits and targets resource allocation based on a qualitative or quantitative (or both) assessment of the audits’ added value. This approach can be borne from necessity in a complex, resource-constrained environment, where it may not be realistic for SAIs to audit all entities, programmes or policies. Moreover, international standards for auditing call for SAIs to take a risk-based approach when selecting audits.

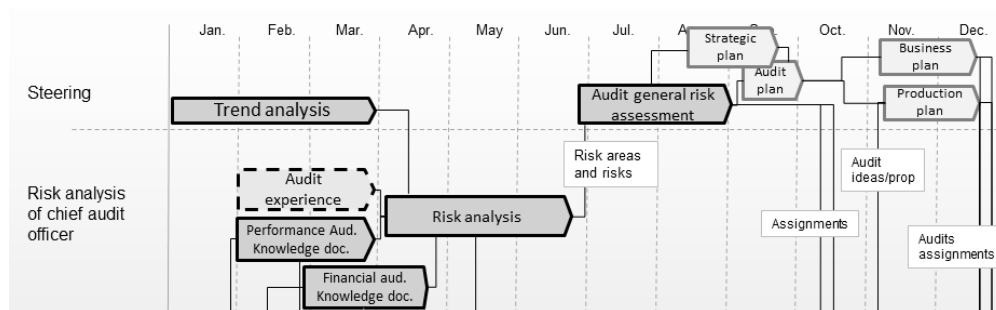
Risk-based audit programming in SAIs can vary, but it generally involves a process of criteria development, risk identification, analysis, scoring and mapping, prioritisation and selection of audits in relation to strategic objectives, capacity and resources. Criteria selection can be drawn from different sources, as illustrated in the examples below. For instance, criteria can differ depending on different type of audits. For financial audits, material errors in the accounts of the program can be a main criterion. For performance audits, criterion can focus more on elements of effectiveness, efficiency and economy, and the extent to which the policy or programme is achieving its goals. The risk map and result of the assessment provides an overview of risks, and the ranking reflects criteria linked to the perceived impact and probability of the risk, such as the length of time since the last audit or the occurrence of major changes in the audited entity. Examples of relevant criteria used to assess risks include:

- **Materiality:** Refers to size or nature of misstatements and errors leading to possible misjudgement;
- **Financial impact:** Refers to the size and amounts of possible financial losses;
- **Operational impact:** Refers to the size of impact on the operational functioning of the organisation; and
- **Reputational impact:** Refers to the size of impact on the reputation of the organization.

The standards, *ISSAI 300 on Fundamental Principles of Performance Auditing*, clearly links risk-based audit programming to the strategic planning process (INTOSAI 2004). This helps to ensure that the selection of audits accounts for the SAI’s capacities, such as the availability of human resources and expertise. Moreover, “formal techniques to prepare the

strategic planning process, such as risk analysis or problem assessments, can help structure the process but need to be complemented by professional judgement to avoid one-sided assessments.” The figure draws from the experience of the Swedish National Audit Office (Riksrevisionen) in risk-based audit programming. It illustrates how risk analyses inform steering and strategic planning, which then helps to define the scope of audits during an annual planning cycle (see Figure 2.1).

Figure 2.1. Risk-Based Audit Programming in the Swedish National Audit Office



Source: Swedish National Audit Office (Riksrevisionen)

As noted, the MCA has taken steps to define its own approach to risk-based audit programming; however, opportunities remain for it to formalise its methods at the national, regional and local levels. A more formal, systematic approach will help to ensure that risks are considered at not only the institutional level (e.g. based on complaints and frequency of audits of an entity), but also at a national level (e.g. identifying, information and aligning with the highest risks in government). The latter focus can take into account broad national goals and objectives, particularly with regards to the issues and entities selected for performance audits. Drawing from discussions with the MCA and workshops, the following are specific areas of consideration for the MCA as it considers formalising and improving its risk-based audit programming:

- Centralise and standardise processes for audit programming across audit units.
- To the extent risk-based audit programming is decentralised by Chambers, provide clear management instructions and methodology (or integrated tools/matrix) for risk identification and assessment that can be used across audit units. This can include documenting common criteria that include not only institutional risk factors, but

government-wide risk factors affecting a particular sector or cross-sectoral national goals.

- Develop customised risk map and an overview of all relevant risks within the audit universe (leveraging the “permanent files” already constituted for high-profile auditees and previous audit recommendations) and ensuring permanent follow-up and reassessment.
- Strengthen the data collection and maintenance process in order to gather a reliable overview of risk areas within the audit universe.
- Provide trainings on risk-based audit methodology in order to instil a better understanding and ensure consistent implementation.
- Ensure adequate monitoring of the audit programme: progress of activities should be indicated, and some events may justify adapting the audit plan. Monitoring the audit plan reflects the principles of adding value and effective and efficient audit work.
- Ensure regular coordination meetings across chambers to provide information on the execution of audits and discuss new information to be included in the risk map. On the basis of new information, the audit plan can be adapted.
- Document the risk assessment and scoring (via template and methodology) in order to effectively communicate the rationale for audit choices.

2.2 Strengthening quality management for impactful audit findings

The MCA could establish a formal quality management function responsible for developing standards and tools for quality control and instilling a culture of quality and integrity within the organisation.

Establishing and sustaining a robust system of audit quality management, that goes beyond quality control processes to encompass a diffused culture of quality across audit teams, is key to ensuring that the SAIs' policies and standards are applied correctly and consistently by all auditors. The MCA's approach to audit quality management is characterised by a large degree of centralisation (i.e. hierarchical oversight) and collegiality, under the supervision of the First President. Key components of existing quality arrangements include, but are not limited to, the following:

- *Audit supervision*—two hierarchical levels perform multiple quality checks at various stages of the audit engagement, within the relevant audit units (e.g. Heads of Section and Presidents of Chamber / Regional Court).
- *Review by an internal coordination body*—A General Rapporteur is responsible for compiling audit results into the MCA's Annual Report, for review by the Programs and Reports Committee—the highest internal coordination body in charge of approving the annual audit programme, examining audit reports prior to publication, and ensuring standardisation in format and content.
- *Auditee review*—MCA carries out a “*phase contradictoire*” with audited entities, whereby the audit team is required to share and discuss with the auditee preliminary findings resulting from the audit engagement. This helps to ensure adequate scoping of audit recommendations through immediate feedback on the relevance, impact and feasibility of recommendations. Nevertheless, according to officials of one audited entity, the MCA does not always offer findings for review. The MCA could conduct an internal review to assess the extent to which this is a systemic issue.
- *Tone-at-the top and performance incentives*—In taking the initiative to label year 2016 “Year for Quality, Norms and Methodology”, the MCA First President set the tone at the top in recognition of the need to instil a culture of quality across the MCA's audit processes. In addition, the MCA allocates a specific

performance-based “bonus” for auditors as a financial incentive for audit quality and timeliness.

- Other quality control measures, such as the preparation of a code of ethics and the intervention of a second “*contre-rapporteur*” for the clearance and judgement of accounts.

The examples of MCA’s quality management above demonstrate a commitment to quality. Nonetheless, the MCA could further systematise quality management. Doing so would help to align the MCA with international standards and principles that call on SAIs to have policies and procedures in place to maintain quality, and produce reports that are objective, fair, understandable and evidence-based (see Box 2.2 for additional details).

Box 2.2. Quality management in Supreme Audit Institutions (SAIs)

A major challenge facing SAIs is to consistently deliver high quality audits and other work. The quality of work performed by SAIs affects their reputation and credibility, and ultimately their ability to fulfil their mandate. *INTOSAI’s Fundamental Principles of Public Sector Auditing* (2013) notes that “reports should be easy to understand, free from vagueness or ambiguity and complete. They should be objective and fair, only including information which is supported by sufficient and appropriate audit evidence and ensuring that findings are put into perspective and context. In addition, ISSAI 40 was developed in 2010 with a view to assist SAIs to establish and maintain a system of quality control which is appropriate to their mandate and circumstances. It draws from International Federation of Accountant’s International Standard on Quality Control known as “ISQC 1” (2008), adapted to SAIs.

For a system of quality control to be effective, it needs to be part of the SAI’s strategy, culture, and policies and procedures. In this way, quality is built into the performance of the work of each SAI and the production of the SAI’s reports, rather than being an additional process once a report is produced. Each SAI should therefore consider the risks to the quality of its work and establish a system of quality control that is designed to adequately respond to these risks and apply for all the work carried out by SAIs. Elements of a system of quality control are:

- Element 1 on “Leadership responsibilities for quality”: “A SAI should establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing all of its work. Such policies and procedures should be set by the Head of the SAI, who retains overall responsibility for the system of quality control.”
- Element 2 on “Relevant ethical requirements (including independence)”: “A SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI, including all personal and any parties contracted to carry out work for the SAI, comply with relevant ethical requirements.”

Box 2.2. Quality management in Supreme Audit Institutions (SAIs) (continued)

- Element 3 on “Acceptance and continuance of client relationships and specific engagements”: “A SAI should establish policies and procedures designed to provide it with reasonable assurance that it will only carry out audits and other work where the SAI is competent (...), ca, comply with relevant ethical requirements (...), has considered the integrity of the organisation being audited (...). The policies and procedures should reflect the range of work carried out by each SAI (...).”
- Element 4 on “Human resources”: “A SAI should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient resources (personal and, where relevant, any parties contracted to carry out work for the SAI) with the competence, capabilities and commitment to ethical principles (...).”
- Element 5 on Performance of audits and other work: “A SAI should establish policies and procedures designed to provide it with reasonable assurance that it audits and other work are carried out in accordance with relevant standards and applicable legal and regulatory requirements, and that the SAI issues reports that are appropriate in the circumstances [including]: (...) consistency in the quality of the work performed, supervision responsibilities and review responsibilities”.
- Element 6 on Monitoring: “A SAI should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant and adequate and are operating effectively”.

OECD Benchmark

Only 6 out of 13 SAIs selected for the OECD benchmark have a monitoring process to ensure that quality control is relevant, adequate and operating effectively. Across SAIs, a variety of approaches exists to quality assurance, but surveys and independent peer reviews are the most commonly used techniques:

- SAI Chile (CGR) commissioned an assessment on the value, impact and relevant of its work and periodically surveys stakeholders for feedback (including online complaints system) ;
- SAI Australia (ANAO) solicits an annual Independent Audit (2013 Quality Control around Financial Statement Audits) and has signed an agreement with SAI New Zealand for biennial peer reviews of selected performance audits ;
- The European Court of Audit (ECA) disseminates survey feedback from audited entities, clients and academics to relevant audit units, in order to ensure follow-up of the outcomes of surveys

Box 2.2. Quality management in Supreme Audit Institutions (SAIs) (continued)

The Three Quality Control Points (Netherlands Court of Audit)

The Netherlands Court of Audits (NCA) uses an internal quality control system to conduct high quality audits that comply with the International Standards of Supreme Audit Institutions (ISSAI). The system includes “three control points” that occurs during the design, implementation, and completion phases of the audit. As detailed below, the final control point focuses on improving the quality and readability of the audit to help ensure that the findings are communicated effectively and will have an impact. NCA’s three control points include the following:

- The NCA's Performance Audit Information Centre acts as a source of advance information for auditors. It assesses the definition of the audit problem and the audit questions, and advises auditors on how to perform the audit with maximum effectiveness and efficiency.
- During the course of an audit, a team of fellow auditors advises on the technical and strategic quality of the audit. Specifically, these teams issue advisory reports to the directors of the NCA's audit department during the course of audits.
- Once an audit has been completed, the Quality Assurance and Control Division performs a quality assurance assessment. This involves assessing the clarity and readability of the draft audit report, as well as the validity, reliability, consistency and added value of the audit. Based on its findings, the Division makes suggestions to the Board for improvement in the audit.

Source: INTOSAI Capacity-Building Committee (2010), ISSAI 40 on Quality Control, <http://www.intosai.org/issai-executive-summaries/view/article/issai-40-quality-control-for-sais.html>; Netherlands Court of Audit (2012), “Quality control”, in 2011 Annual Report; INTOSAI (2013), “ISSAI 100: Fundamental Principles of Public-Sector Auditing”, http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm

While the MCA implements various quality control practices, the MCA could establish a more comprehensive and systematic framework, in particular with regard to the conduct of audits, to better integrate and streamline quality management across the organisation. For instance, the MCA does not have comprehensive guidance on quality management, which leaves audit teams with a high level of discretion on the steps taken to maintain quality throughout an audit engagement. Additional guidance on quality management could help to engage all levels of the organisation in managing quality, relieving some of the burden from senior staff, who hold much of the responsibility for ensuring uniform quality.

Audit teams also need a framework to help draft recommendations in accordance with a common template or standard. This can result in heterogeneous levels of quality across audit teams, particularly with regards to the Regional Courts of Accounts. At the time of the OECD's review, the MCA was considering the development of a more formal framework for quality management and assurance, including a centralised body for leading the effort. Effectively implementing this framework could help align the MCA closer to international standards, including Element 6 of ISSAI 40 (see Box 2.2 above). This function could be responsible for developing formal procedures, monitoring implementation and developing manuals and templates for auditors to carry out engagements.

The establishment of a central function within the MCA has the added benefit of signalling internally and to external actors that the MCA takes quality seriously. It also implicitly recognises that quality management is not static, and requires resources and investments to maintain. As part of this development, ongoing training and skill development for staff is critical. Instilling a culture of quality throughout the MCA relies on the commitment of all staff, and their understanding of how their performance links to quality objectives. The MCA, as part of its Training Centre opened in 2015, recently designed a multi-annual training programme for all staff, which could be a forum for educating staff on an ongoing basis about quality management. In sum, the MCA could build on existing efforts to improve quality management by considering the following actions:

- *Integrating quality management within a multi-annual strategic plan (see chapter 1)*, linking the MCA's objectives with key performance indicators (whether input, output or outcome-indicators) that widely used to monitor audit quality and incentivise staff.
- *Setting up a dedicated centralised function/unit, with corresponding referees in every chamber*, responsible for developing the SAI's quality control framework (including standards and procedures), ensuring staff alignment and developing trainings and awareness-raising initiatives for staff.
- *Establishing an audit quality management framework* that clearly identifies and allocates quality control responsibilities throughout the audit cycle. This could include assigning of quality management practices in job descriptions.
- *Embedding quality in the audit process* by developing the adequate supporting guidance for audit teams (standards, norms and guidelines), monitoring implementation through trainings and

establishing the relevant quality control measures (supervision and review, “hot”/“cold” reviews).

- *Ensuring that all personnel and parties contracted to carry out work for the MCA (e.g. external expertise) comply with ethical requirements, especially in the area of conflict of interest, and integrate in their training programme core elements of ethics and quality. The MCA identified resorting to external experts for specific activities (where in-house expertise is lacking) as a potential risk to quality.*
- *Conducting quality control and (post-audit) quality assurance measures, in the form of “hot” and/or “cold” reviews, in a systematic way or by sampling based on pre-determined risk criteria, should be exercised by different senior auditors from the concerned audit team.*
- *Soliciting an independent review on the MCA’s work to conduct an external, independent assessment of the MCA’s operations and processes against international standards.*
- *Building a solid work ethic for quality through internal and external communications by obtaining regular feedback from audit actors and stakeholders.*
- *Strengthening existing mechanisms for tracking recommendations, through the design and dissemination of key performance indicators (% of recommendations endorsed by auditees, % of recommendations partially and/or fully implemented, % of gaps in implementation).*
- *Conducting both staff and client surveys in the form of questionnaires in order to obtain feedback on the audit engagement. Information on the overuse of technical language or relevance of recommendations could help the MCA better align its audits with the needs and interests of its users.*

2.3 Strengthen governance through improvements to performance auditing

MCA could strengthen its current approach to performance auditing by further standardising processes and strengthening internal capacity.

In an increasingly complex governance environment, limited fiscal space, and growing demands for transparency and accountability, governments are continually challenged to demonstrate better performance

and management of available resources. SAIs have also moved from a more traditional focus on financial audits to looking at aspects of performance. INTOSAI states that performance auditing greatly enriches public accountability and enables the SAI to make practical contributions to improving the efficiency and effectiveness of the public administration (INTOSAI, 2010). As such, SAIs have the potential to contribute to better design and use of performance-related budgeting and management systems and to enhance public accountability

For over a decade, the MCA has conducted performance audits. The MCA has the legal authority to access information and data within government, and the audit expertise and knowledge to analyse what it collects. To date, this activity, which encompasses a large variety of audit types (financial, compliance, performance) and norms (all aspects of public management, such as the achievement of goals assigned, results obtained, economy, efficiency and effectiveness of operations), represents the largest non-jurisdictional area of work for the MCA, in terms of resources mobilised and reports published.

Increasingly, in response to socioeconomic developments, the MCA is conducting thematic audits and evaluations that have received recognition in government and among the general public. Recent examples include performance audits on Morocco's pension and compensation systems, the national e-government strategy and state-owned enterprises (see Box 2.3 for an example of the MCA's audit of SOEs). The MCA's performance audit reports are primarily based on sectors or activity areas. However, unlike the MCA's financial and compliance audits, which follow a similar process across chambers, the norms and standards for performance audits leave more room for discretion and flexibility.

Box 2.3. Auditing the SOE sector in Morocco

State-owned or controlled enterprises (SOEs) receive substantial transfers from the general budget, and are critical contributors to the Moroccan economy and key public services. SOEs in Morocco are heterogeneous in terms of their missions, size, budget and profitability. As such, SOEs are also a high-risk area in the Moroccan government. In 2015, the Moroccan Court of Accounts (MCA) carried out a horizontal audit of 14 of the largest Moroccan SOEs in a variety of sectors, such as energy, transportation and infrastructure. This thematic audit stemmed from governance and management deficiencies revealed by previous individual audits of SOEs. The MCA’s cross-sector evaluation assessed the effectiveness of management and internal control functions in SOEs, and it resulted in the following recommendations:

- The government, in general, had poor strategic planning with regards to SOEs, particularly when it comes to the decision to create an SOE and bestow certain prerogatives and operational autonomy;
- SOEs have a high dependency on the State’s general budget, with few SOEs representing the bulk of the sector’s financial performance, and increasing levels of indebtedness over the past few years, reflecting massive investment plans in infrastructure development; and
- SOEs generally had poor corporate governance, transparency and accountability, including in the composition of boards, the compensation policy for executives and the use of performance management tools.

The MCA recommended in its report that the State act as “State-Shareholder,” moving away from the antiquated notion of technical “tutelage” and in favour of a more flexible and dynamic approach, including the State acting as a shareholder on SOE boards, as opposed to acting as a direct operator, and delegation of service delivery to the private sector through various forms of public-private partnerships.

Source: Cour des Comptes du Royaume du Maroc (2016), « *Le secteur des établissements et entreprises publics au Maroc: Ancrage stratégique et gouvernance* ».

MCA’s expanded mandate under the Constitution and its own initiatives to strengthen performance auditing places demands on already constrained resources. The MCA has taken steps to strengthen its audit approaches to performance auditing, including engaging with institutions across government (e.g. the Ministry of Finance) as well as international partners. During workshops and interviews, various ideas for improving performance auditing at MCA were developed. Many of these ideas reflect leading practices, including those articulated in INTOSAI standards, such as “International Standards for Supreme Audit Institutions (ISSAI) 300: Fundamental Principles of Performance Auditing,” as well as “ISSAI: 12 The Value and Benefits of Supreme Audit Institutions – Making a Difference in the Lives of Citizens.” As the MCA continues its efforts to

develop its expertise, improve the quality of its work, and further align itself with international standards, it could consider the following:

- Promote the standardisation of performance audit via the development of audit manuals and guidance and their internal dissemination across chambers. This approach could include a pilot working group of senior auditors from the MCA and the Regional Courts of Accounts (RCAs) with the objective of developing appropriate methodologies for the evaluation of public policies, with audit questions integrating value for money criteria (economy, efficiency and effectiveness) and use of logic models applied to key sectors.
- Increase and strengthen performance audits that look across government, focusing on systemic issues. MCA could improve its contributions to good governance by not only focusing on independent oversight, but also insight and foresight, in order to inform decision-makers through publication of timely and relevant reports for the budgetary cycle.
- Promote professional competence for performance auditing. This could involve mapping domains of expertise required for evaluating public policies across key sectors, and assessing against existing skills sets within the MCA. Related trainings could focus on identified gaps and deficiencies.
- Define standards for resorting to external (subject matter) expertise where needed, and ensuring alignment with internal auditing standards through trainings. Assessing performance-related (or value for money) issues require fairly common-sense, professional judgement, pragmatic approaches and a wider set of skills and subject matter knowledge, whereas financial/regularity audits tend to require a higher level of specific, technical knowledge, which the SAI may or may not have.
- Ensure timely information on the state of implementation of Morocco's budgeting and accounting reform within public entities. This approach may lead to relevant results on better information on financial sustainability (with more comprehensive reporting of assets and liabilities, including contingent liabilities, and a more complete coverage of public sector institutions, including public corporations) in order to flag risks and vulnerabilities and evaluate the real outcome of measures initiated by the Government.
- Enhance alignment with stakeholders' perspectives, such as Parliament, who are primary users of audit reports, in order to reflect in the audit programme topics of high public interest or

issues flagged as potential risks for public sector performance, and ensure that results from the MCA’s audits are used to monitor the performance of public programmes and inform budgetary decision-making.

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