

REPORT

The Practices of Audit Committees and Internal Audit Departments among Moroccan Listed Companies, Banking Institutions and Insurance Companies

April 2014

EXECUTIVE SUMMARY

- The aim of this report is to present and understand the current practices of Audit Committees and to analyze how the board assesses and monitors risks through the Internal Audit function.
- 44% of publicly listed companies (as of October 2013) as well as banking institutions and insurance companies responded to this survey.
- 87% of the respondents have an Audit Committee. Globally, the respondents considered that Audit Committees fulfill their role and responsibilities satisfactorily but wished to see Audit Committees taking a more proactive approach in the monitoring of risks.
- Board directors expressed concern with the time dedicated by committee members in preparing for meetings of the audit committee as well as the approach taken towards their role. They also proposed to engage discussion on the issue of the maximum number of board mandates an individual may hold and on the question of independent directors.
- The Internal Audit function remains insufficiently recognized within the company as a key function. Board directors play a key role in ensuring its continuity and ensuring that the function is widely recognized and esteemed.
- Conformity audits and operational audits are at the main duties of the internal audit. However, board directors and management clearly express their expectations that Internal Audit should also play an important role in risk management, in particular through process audit.
- The independence of the Internal Audit function is ensured through a direct reporting to the Audit Committee of the board of directors. This practice is generally observed. However, 30% of the respondents were of the opinion that the Audit Committees do not fully ensure the independence of the principal Internal Auditor. This should be engineered by reviewing the nomination and recruitment process of the Internal Auditor, its remuneration, resources as well as the process for dismissal.
- Audit Committees expect the Internal Audit to have a key role in risk management and to make pertinent recommendations.