International Association of Treasury Services
AIST Conference

INTERNAL AUDIT AND CONTROL

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Economic crisis and overhaul of the public governance system

- Alteration of macroeconomic balances

- Coordinated austerity policies resulting in a decrease in public resources

- Scarcity of resources

→ **Good governance becomes a fundamental issue for public authorities**

- Main benchmarks in terms of good governance in Morocco

- The basis of internal control and audit within the General Treasury of the Kingdom of Morocco (TGR)

- Presentation of the internal control and audit systems of the TGR

- Dissemination of the audit culture by means of auditing the management capacity of budget organizations

- Enforcement of the law on income and asset declaration

- Adoption of the law on the accountability of authorizing officers and public accounting officers

- New regulations on the fight against money laundering

- Ratification of the United Nations Convention against Corruption

- Reform of the decree on public procurement

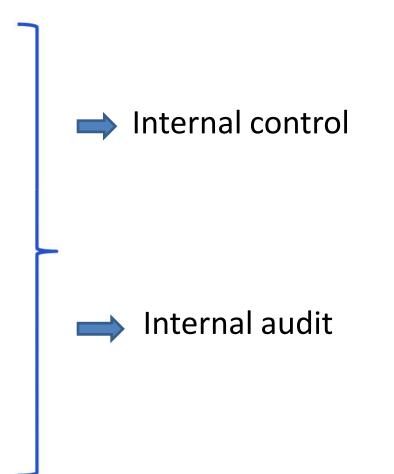- The new Constitution passed in July 2011

TGR commitments for the development of good governance

- Adoption in 2007 of the "Iltizam" charter of values

- Establishment of a code of ethics

- Integration of a performance-based activity

- Establishment of a client-based culture

The extent of issues at stake and the nature of risks require the establishment of internal control and audit systems

- The enormous financial stakes specific to our role

- The necessity to master IT systems

- The consequences entailed by the entry into force of the organic law on finances

Internal control

Internal audit

A system relying on four essential components:

Risk management	• Upstream intervention • Introspective analysis enabling the identification of critical areas • Input for the internal control system
Internal control	• Permanent system covering all the activities • Reasonable assurance with respect to risk management
Internal audit	• One-off downstream intervention • Compliance assessment and recommendations • Appraisal of the adequacy of internal control and input to the risk register
Inspection	• Checks whether operations are compliant with laws and regulations • Intervention in case of embezzlement or fraud • Protection of TGR assets

Internal control system built up in two stages:

➡ **From 2008 to 2010 (1/3):**

Analysis of the TGR internal control environment:

- Ethical and institutional environment

- Risk assessment

- Control activities

- Information and communication

- Steering

Internal control system built up in two stages:

➡️ **From 2008 to 2010 (2/3):**

- Identification and ranking of risks

- Drawing up a risk map covering five fields:

  - Accounting

  - Collection

  - Public spending

  - Banking operations

  - Support functions

➡️ **From 2008 to 2010** (3/3):

A first version of the internal control system following COSO guidelines was drafted.

- Organization (stakeholders, information flows and

  supervision)

- Identification of permanent controls

- Emphasis of improvement actions

- Implementation of a training program

➡ From 2010 until now (1/2)

Full review of the internal control system

- Update of the internal control charter

- Redefinition of the reference framework for internal control and risk management

- Streamlining of internal control implementation procedures

- Overhaul of procedure guidebooks

- Update of risk and permanent control registers

- Preparation of practical tools pertaining to the internal control system

➡ **From 2010 until now (2/2)**

Internal control organized around two components:

Permanent controls

- Nature of controls: self-checks, mutual controls and supervision controls

- Tool: Internal control framework resulting from the combination of risk registers and control registers

Regular controls

- Nature of controls: ex post checks by local staff

- Tool: the test plan drawn up by local staff and comprising two types of contents: common and specific.

Management of security-related risks (1/3)

Security audit kicked off in 2006

- Risk map drawn up

- Action plan outlined. It comprises:

  ➡ Structural measures

  ➡ Measures aimed to remedy weaknesses

Management of security-related risks (2/3)

➡️ **Structural measures**

- A department tasked with security risks management was set up

- A security governance plan was implemented

- Security policies were defined in 2007 and 2009

- Ranking of business processes and IT components depending on their degree of criticality

Management of security-related risks (3/3)

➡ **Measures aimed to remedy weaknesses**

- Establishment of a weaknesses' quarterly follow-up system

- Weaknesses follow-up audit carried out in 2009

- Audit on the security of the integrated management of expenditure carried out in 2011

- Raising awareness amongst managers with respect to the importance of security issues

Audit and inspection (1/3)

Legal basis

- Royal Decree on public sector accounting issued on April 21st 1967

- Hierarchical liability of the General Treasurer for the accounting officers under his/her authority

- Financial liability of the General Treasurer of the Kingdom as senior accountant

Purposes of their role

- Sound management of public assets

- Compliance with laws and regulations

- Appraisal of the quality of internal controls

- Assessment of the performance of audited activities

- Development of counseling and assistance roles

Audit and inspection (2/3)

Stakeholders

➡ **At central level**:

Inspector-auditors reporting to the Directorate for control, audit and inspection

➡ **At regional level**:

Inspector-auditors working for regional treasuries

Tools

- Internal audit charter

- Audit handbook

- Audit guidelines

- Toolbox (FRAP – problem identification and analysis form-, table for the identification of risk areas, audit report template….)

Audit and inspection (3/3)

➡️ A scope comprising 9200 accounting officers

<u>Scope of the intervention</u>

- Compulsory field: the network of public accounting officers

- Priority field: Government, local governments and associations of the latter expenditure account administrators

- Non-priority fields: collectors of customs duties, registration fees, tax, and clerk-secretaries.

<u>Types of assignments</u>

- Brief assignments

- Targeted assignments

- In-depth assignments

- Follow-up assignments

Procedures followed when performing an assignment

- Adversary (inter partes) proceedings as a rule

- Analysis and assessment of reports drafted by regional inspectors

- Information of the General Treasurer with respect to serious issues found

- Non-compliances identified are referred to ministry departments

Outcomes and conclusions (1/2)

Assignments in figures

- 2009: 526 assignments

- 2010: 485 assignments

- 2011: 316 assignments

- 2012: 308 assignments

Conclusions

- Public goods globally protected

- Some dysfunctions persist

- Annual record of dysfunctions, risk areas identified and recommendations drawn up

- Input for the risk registry and enhancement of the internal control system

Outcomes and conclusions (2/2)

- Security of public money

245 cases referred to justice since 2000 until the end of April 2013

- Moral standards in public sector actions enhanced

Since 2007, dismissal of:

- 5 treasurers
- 25 collectors
- 3 accounting officers posted abroad

Dissemination of the audit culture amongst our partners

- Assessment of the management process in budget organizations

- Reinforcement of transparency and good governance within public spending units

➡ Audit of the management capacity of budget organizations

Basis and contents of the reform of public spending control

- Shift from ex ante control to ex post control

   (Decree on the control of government expenditure issued on November 4th 2008)

- 3 levels of control were defined:

   ➡ A level of control relying on ordinary law

   ➡ A simplified level of control

   ➡ An additionally simplified level of control

The pillars of the reform of public spending control

Audit of the management capacity of budget entities	System for the follow-up of the quality of expenditure implementation
Auditors :	
- Inspectorate General of Finance	- Follow-up indicators
- General Treasury of the Kingdom	- Ex post check of expenditure that is not subject to conformity controls
Tools:	
- Audit framework	
- Audit charter	- Follow-up and assessment system for the implementation of expenditure by budget entities
- Audit guidebook	

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Support measures and outcomes of management capacity audits

Support measures

- Training of 144 auditors coming from the entire TGR network

- Readjustment of the IT system for integrated expenditure management (GID)

Outcomes

- 177 management capacity audit assignments by the end on April 2013

- 37 departments managing expenditure qualified for the simplified control level

- Establishment of an audit report data base

TGR plays a decisive role in the dissemination of internal control and audit culture

- The watchdog in terms of money safeguard

- A medium of modernization of public administration by disseminating this new culture

- Provider of secure IT systems

➡ **Sound establishment of good public governance**

Thank you for your attention!