

What are the relationships between corporate governance and external auditing in Moroccan public companies?

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Abstract. Public companies and institutions continuously contribute to the development and economic growth of our country, which is why the governance of Moroccan public companies occupies a major place in the Moroccan government's major economic and social strategic orientations and perspectives. In this research study, we deployed an important conceptual and theoretical framework through the mobilization of agency theory to explain the link between external auditing and the governance of public companies. Furthermore, this paper aims to present the results of a qualitative document analysis focusing on aspects of governance, external auditing, and control in the Moroccan public company sector. Indeed, this document study, drawn from official government documents and reports on the subject of external auditing and the governance of public companies, helps to clarify the aspects of governance in the Moroccan public company sector. Based on our analyzes, we believe that, according to Law 17-95 relating to SAs, the Statutory Auditor plays a major role in the communication of transparent financial and non-financial information collected during his external audit mission within Moroccan public companies. This scientific article sheds light on the specific features of external auditing, control, and governance within the Moroccan public enterprise sector, thus building new research perspectives for new academic studies at the national and international levels within the framework of public organizations.

Keywords: *Corporate Governance; Public Enterprises; External Auditing; Control; Agency; Theory.*

1. Introduction

The emergence of New Public Management (NPM) since the 1980s has enabled the strengthening of external audit techniques in the public sector (Mahouat and al 2023). This new approach was adopted as a specific response to the crisis of the bureaucratic model. Indeed, it is a model that aims to introduce modern management tools into public enterprises with a view to improving their governance. Following the same goal, several developing countries have adopted structural adjustment programs (SAPs) and modernization programs for their public entities since the 1980s. Moreover, this emergence of NPM has pushed all public organizations to follow the reforms undertaken by their governments and are committed to setting objectives and achieving results. This is achieved through the improvement of modern performance-oriented management methods and modes, such as external auditing, management control, and human resources management, which are at the heart of a vast program to modernize the public establishments and enterprises sector (Mahouat, 2025).

In this context, external auditing appears to be a driving force for improving governance within Moroccan public companies. The recommendations and conclusions of external auditing, whether legal or contractual, constitute a mechanism, a monitoring and steering instrument, and a lever for decision-making and corporate governance for any entity (Mahouat et al 2024).

The ultimate objective is to improve corporate governance mechanisms by strengthening the external audit quality. This is why this article focuses on the contribution of external audit

quality to improving the governance of strategic Moroccan public companies.

Furthermore, the Moroccan public sector portfolio is characterized by the diversity of legal statuses of its constituent entities. According to the report published by the Directorate of Public Establishments and Enterprises and Privatization (DEPP) at the end of September 2023, this portfolio includes 272 public companies, including 227 public institutions and 45 public limited companies with direct participation of the Treasury (SA-PDT). These organizations participate in the economic and social development of our country and occupy an important place in the economic sphere of the country, particularly in the conduct of sectoral strategies and public policies of the Government.

Among the most recent reforms is Framework Law 50-21 on the reform of PEFs, Law 76-20 of 31 December 2020 establishing the Mohamed VI Fund for Investment and the Law 82-20 on the creation of the National Agency for the Strategic Management of State Participation and Performance Monitoring of PEFs (ANGSPE), published on 26 July 2021.

On the other hand, the objective of this article is to address governance, control and external audit in the context of Moroccan Public Institutions (PEs), by presenting its types, the state of play, the analysis of regulatory and legislative documents and this using a qualitative approach based on a documentary search.

To achieve this objective, we will start with a review of the concept literature on corporate governance, external audit in the context of public organizations, its foundations, its usefulness and its types. Then in a second part, we use the results of a documentary search to present the state of play of control, external audit and governance in the context of Moroccan public companies through the analysis of secondary data from the different documents consulted.

At the intersection of these research perspectives set out above through the qualitative documentary study, we were able to define our central research problem. This can be worded as follows: what are the different aspects of corporate governance, control and external audit within Moroccan public institutions and enterprises?

This study stands out for its originality by jointly addressing the dimensions of governance and external auditing — two key drivers of public sector performance that are often examined separately in the literature. Drawing on the specific context of Moroccan public enterprises, it offers a relevant theoretical and documentary perspective on the sector's development dynamics, while also reinforcing the principles of transparency and accountability.

Indeed, the added value of this paper lies in its ability to highlight the interactions between governance and external auditing, as well as their effects on transparency and management efficiency. This study contributes also to enriching the discussions on the modernization of the Moroccan public enterprise and the conditions for truly independent and effective auditing.

2. Conceptual and theoretical framework for research

In this section, we present all the conceptual and theoretical specificities relating to the concepts of public enterprises and corporate governance, external audit and external audit quality measures.

a. Attempt to define a public enterprise

According to Sébastien Brameret's definition in the Dictionary of Public Administration (2014), the latter defined public enterprises "as extensions of public persons, entrusted with the management of economic activities sometimes having the appearance of public service activities". They are often presented as public sector enterprises. Their growth reflects the willingness of public persons to intervene directly in the economic sector, taking over a number of market activities and possibly pursuing a profit-making aim. Indeed, Charreaux (1997) considers that the public enterprise is characterized '...simultaneously, on the one hand, by a decisive role for the State (or public authorities) in residual decisions linked, in particular, to

the possibility of appointing the directors and granting them more or less decision-making latitude on strategic options and, on the other hand, by a majority ownership of the residual gains’.

In addition, the French National Institute of Statistics and Economic Studies (2019) defined a public enterprise as follows: “a public enterprise is an enterprise over which the State may directly or indirectly exercise a dominant influence by virtue of ownership or financial participation, by having either a majority of the capital or a majority of the votes attached to the shares issued ‘’.

b. Corporate Governance: Definitions and Background

The concept of corporate governance covers the organization of links between shareholders, directors and managers of the company. However, in terms of defining the concept of corporate governance, there is no single, universally accepted definition of corporate governance in this framework. Indeed, the best known definition accepted is that proposed by the 1992 Cadbury Report which defined Governance as:

“Corporate governance is the system by which companies are run and controlled. The governance body organizes the distribution of rights and responsibilities among the various partners in the company, such as the Board of Directors, managers, shareholders and the various stakeholders.”

In addition, there is the definition proposed by Shleifer and Vishny (1997): "Corporate governance is concerned with how the providers of capital to finance companies ensure the profitability of their investment". The proposed definition, Shleifer and Vishny, aims to create wealth for shareholders, protect shareholders’ interests against executives’ opportunism, and strengthen executives’ control to ensure the company’s financial transparency.

c. External audit quality definition

Several authors and theoreticians have contributed through their work to the development of this concept, which has as its main object to reduce the various anomalies and failures that can be experienced by the organizational, managerial and ethical system of the company. This external audit quality is essential because it is about ensuring the disclosure of credible and transparent information within the company. Thus, the quality of the external audit is also determined by two main factors: competence and independence. De Angelo in 1981, defined the of the external audit quality as being: “the attached probability that an auditor may discover an error in the financial statements (competence) and disclose it (independence)”. This definition gives rise to two criteria on the the external audit quality of the enterprise, namely the auditor’s technical competence and his independence from the audited enterprise.

d. External audit and corporate governance under agency theory

Independent external auditing within the company has a major effect on the behavior of managers within the company and is one of the mechanisms for disciplining managers (Jensen and Meckling, 1976). The latter constitutes a lever for aligning the management’s conduct with the interests of shareholders. For example, Watts and Zimmerman (1983) analyzed the role of external audit in the management control process, and a historical review of managerial firms in the United Kingdom links the use of audit as a control mechanism to the existence of agency problems.

On the one hand, Charreaux (1997) believes that external auditing is a mechanism that encourages or obliges the individual(s) to whom responsibility has been delegated to act in accordance with the interests of the organization’s partners.

3. Research methodology

a. The literature review

According to Molinier (2002), the literature review is an important source of data in qualitative exploratory research. It is advantageous because it does not require the intervention of the researcher, through the analysis and study of documents and reports in the researcher's field. This type of data collection allowed us to clarify some of the aspects of our research study, including the procedures, processes, and jargon used within the SOE sector in general and the SOE sector in Morocco in particular. The documents, which are the subject of analysis, are open online on the websites of the ministries responsible, public enterprises and audit bodies concerned.

Table 1 presents all the documents consulted and analyzed as part of our literature review:

Table 1. Documents and reports subject of literature review

Document Object	Type	Organization
Dahir n° 1-03-195 of 16 Ramadan 1424 (11 November 2003) enacting Law n° 69-00 on the financial control of the State over public enterprises and other bodies.	Legislative and regulatory text	Ministry of Economy and Finance - Directorate of Public Enterprises and Privatization
Dahir n° 1-02-25 of 19 moharrem 1423 (3 April 2002) promulgating Law n° 61-99 on the liability of authorizing officers, controllers and public accountants.		
Draft law on governance and financial control of the State over public institutions and enterprises and other bodies.		
Reports on Moroccan Companies and Public Institutions, annexed to the draft finance laws for the 2015-2024 budget years.	Activity report (2015-2024)	
The sector of public institutions and enterprises in Morocco: Strategic anchor and governance.	Mission Report (2016)	Court of Auditors
Law 17-95 on SA	Legislative and regulatory text	Ministry of Trade and Industry, Moroccan Capital Market Authority (AMMC)
Law No. 62-99 forming the Code of Financial Jurisdictions	Legislative and regulatory text	Court of Auditors
Main axes of the Court of Auditors' 2023-2024 annual report	Mission Report (2024)	Court of Auditors

4. Results

We will describe here, codes of good governance practices in developed countries and in Morocco, as well as the financial control of the state over Moroccan public enterprises, external audit and improvement of governance in Moroccan legalization and particularly in strategic Moroccan public enterprises, the contractualization of the state's relationship with public enterprises.

a. Codes of good governance practice

i. International experience with codes of good governance practice

The subject of corporate governance is a subject that is of great interest to the various strategic actors in the different sectors of activity, particularly after the advent of the various scandals that have affected the world in the last decade.

Thus, the important role of corporate governance has been explained by several initiatives aimed at establishing and explaining “best practices” in this area. These initiatives come from a variety of actors, from institutional investors and international organizations to governments and representatives of the business community itself.

The question of disseminating and sharing codes of good governance practice began in Britain in the early 1990's. Indeed, in Europe, codes of governance have emerged in a global context characterized by massive financial scandals, particularly in the management of conflicts of interest between different stakeholders in companies, including between shareholders and company managers.

Several European countries have taken into account the major role of governance codes in public enterprises, such as Germany, which approved its governance code in 2009 to be adapted to the specificities of public companies, in particular as regards the role of shareholders, their meetings, the responsibilities of supervision and management of boards, remuneration, and the transparency of financial and non-financial information.

In Spain, the Spanish Government adopted by decree in 2009 the general rules on ownership and the elements of a code of good practice for public enterprises, the main objective of this new change project is to improve the efficiency of public enterprises and related public bodies, as well as to improve the transparency framework of public enterprises.

In 2007, the Swedish government issued guidelines for the external reporting of public enterprises, mainly the external disclosure of information from public enterprises, including the annual report, the corporate governance report, the internal control report and the sustainable development report.

On the other hand, in France, there are two codes of governance which have been drafted by organizations representing enterprises: the code ‘AFEP-MEDEF’, drawn up by AFEP and MEDEF, mostly used by CAC 40 companies, and the code ‘Middle next’ drawn up by the company of the same name. Indeed, French state-owned enterprises do not have codes of governance

However, listed companies have to apply certain rules that are part of one of the two governance codes.

In Belgium, there is the same case of the design of governance codes such as France: two codes of "corporate governance", widely shared but not legally valid: the Buysse code and the Belgian code of corporate governance (Code 2009).

On the other hand, in the context of improving corporate governance, corporate governance rating has now become an important practice for classifying companies. Specialized rating agencies have been set up: Governance Metrics International (gmiratings.com), ISS - Corporate Governance Quotient (isscgg.com), Standard&Poor's (standardandpoors.com), The Corporate Library (thecorporatelibrary.com). Rating agencies are important because they provide useful information on corporate governance and signal the quality of corporate governance of rated companies, in particular in defining the choice and decision-making of investors who increasingly make corporate governance one of their main criteria for analysis and investment choices. Thus, credit rating agencies also constitute an external control mechanism that influences shareholders both in their investments and in the exercise of their voting rights and allows companies to overcome conflicts of interest between different stakeholders. However, in order for such a rating to be taken by investors-shareholders, credit rating agencies must

comply with a number of principles which are: the principle of independence, the principle of transparency and the principle of professionalism.

In general, if a company scores above the industry average and reports its membership of a considered index of good governance, it will be able to distinguish itself from other companies and attract more institutional investors, as several studies have shown, that good governance is a sign of the company's performance.

ii. Morocco's Code of Good Governance Practices

Apparently, for any country that wants to develop, it must both improve its institutions of public governance and ensure that these interconnected institutions function in a similar way, within the same country. Some refer to it as a "culture of governance" (Meisel, 2004). Indeed, the Code of Good Governance for Public Enterprises and Institutions has been launched in 2012 by the Prime Minister, in which he called on the various members of the government to generalize this code and the establishment of governance bodies within the PEFs and to implement plans for improving their governance.

On the other hand, Morocco is considered among the first countries to have developed this code in northern Africa and the MENA region. Indeed, this new version is the last since its first launch in March 17, 2008 by the National Commission for Corporate Governance (CNGE) and also retains the various principles already established during the first version.

This code, established on the basis of the best international standards and developed by practitioners from the public and private sectors, aims to enshrine the best standards of governance of PEs and promotes the values of transparent disclosure of information, the correlation between accountability and accountability. It includes recommendations, rules and practices to:

- Clarifying the roles of the state by making a clear distinction between its different missions as strategist, controller and shareholder;
- Reinforcing the role and responsibilities of the governance body in its tasks of strategic guidance, performance monitoring and management monitoring, while improving the professionalization of directors and the periodic evaluation of their interventions;
- Enhancing integrity and transparency through the regular dissemination of meaningful financial and non-financial information on PEs, the dematerialization of procedures and their display for quality service, the strict application of procurement principles and the development and dissemination of ethics charters of governance bodies;
- Fair treatment of partners and economic operators dealing with the matter.

This Moroccan code of good governance practices is based on recommendations and criticism from the OECD and is adapted to the local Moroccan context, it promotes the opening of boards of directors to independent directors and the periodic evaluation of these companies. (Moroccan Code of Good Governance Practice of 2012).

On the other hand, in terms of the structure of the corporate governance body, Moroccan law gives the possibility to choose between three forms of governance structure:

- A Board of Directors with a Chief Executive Officer (CEO) is the most well-known classic formula;
- Executive Board and Supervisory Board;
- A Chairman of the Board of Directors and a Director General is the new dissociated form provided by Law No. 20-05 of 23 August 2008. However, the Moroccan Code recommends adopting a dual governance structure (an Executive Board and a Supervisory Board) or separating the functions of President and Chief Executive Officer in order to strengthen the independence of the governance body from the managers, as the former is considered to generate conflicts of interest and confusion of powers within

the Moroccan state-owned enterprise.

b. State control in Moroccan public institutions and enterprises

The Kingdom of Morocco since its independence has been aware of the need for the gradual implementation of the monitoring institutions aimed at enshrining democratic values and principles as defined in the Moroccan constitution.

This control is important as it promotes the transparency, performance and accountability of Moroccan state-owned enterprises, since they are permanently involved in the promotion and development of the Moroccan economy.

On this point, there are several types of controls put in place by Morocco:

- Political control;
- Judicial review;
- Administrative control;
- Financial control and internal auditors
- Independent auditors

i. Political control

These are constitutional measures, it is part of the prerogatives of the Moroccan Parliament in different forms. Parliament is charged with the creation of commissions of inquiry into the management of Moroccan state-owned enterprises.

ii. Judicial review

This is an audit carried out by the Court of Auditors in accordance with Law No 62-99 forming the Code of Financial Jurisdictions. In addition, article 147 of the Moroccan constitution has placed the Court of Auditors as a superior court to assist parliament in evaluating state public policies, with the creation of nine regional courts of accounts, with a view to promoting the policy of deconcentration.

This Court was established in 1960, is part of the Ministry of Finance known as the “National Board of Auditors”, and in 1979, under Law No. 12-79, to a real Court of Auditors as a judicial body responsible for ensuring the superior control of public finances.

In 1996, the Moroccan legislature established the Court of Auditors as a major constitutional institution for the supervision of public finances and has independence from the executive and legislative branches of government. This development was confirmed by the enactment of Law No. 62-99 forming the Code of Financial Jurisdictions already mentioned above.

The 2011 constitution enabled the court to promote the principles and values of monitoring regularity, compliance, and assessing the results achieved in terms of effectiveness, economy, efficiency, environment, and ethics.

However, a number of recommendations from the OECD suggest that the boards of public enterprises should be more involved in good governance practices and formalization, that successful strategic development plans should be validated, and that the various findings, observations and criticisms concerning the appointment, remuneration, strategic performance, duties and competences of the executive manager should be taken into account. (Lafram, 2013)

iii. Internal administrative control

A distinction is made between two forms of internal administrative control: either hierarchical control or general inspection.

Reporting authority is attached to the head of executive administration, namely the Secretary-General and the directors of Moroccan public enterprises.

Similarly, the Inspectorate General, which reports directly to the Minister of a Public Administration and informs the latter about the regularity and functioning of the various services and may subsequently carry out any inspection, investigation or study.

This type of inspection relates to the different operating conditions of the administration services, it can also be a check of regularity or conformity, as is the case of the General Inspectorate of Finance or the General Inspectorate of the Territorial Administration of the Ministry of the Interior.

iv. Financial control

The reform of the state's governance and financial control system for PEFs is primarily part of the government's legislative plan, which aims to orient the management of PEFs towards more efficient and effective management. It also aims to strengthen the link between governance and financial control and the development of a segmented public portfolio based on the proper functioning of their governance and internal control framework. This reform will allow better consolidation of good governance and control practices contained in Law No. 69-00 on financial control over public enterprises and other bodies.

In addition, the following are described the main axes relating to the governance and financial control of the State on PEFs, enshrined in the framework law n°50-21 on the reform of public institutions and enterprises, especially in the area of governance:

- Clarify the different roles of the State, namely the example of the strategist State, shareholder and owner, mentor and controller, by strengthening and formalizing the role of the strategist State: translate the orientations of the PEFs into clear and measurable objectives, particularly through contracting;
- Professionalization and operationalization of legislative bodies through the limitation of their size, institutionalization of the appointment process for directors, introduction of independent directors, enshrining the concept of accountability and the requirement of regular attendance and active participation of directors;
- Ensure some parliamentary evaluation and accountability.

In relation to the main provisions of the Law, they distinguish between the following aspects (Framework Law No. 50-21 on the reform of public establishments and enterprises):

- Clarification of the objectives of the control (timeliness, regularity, reliability and performance) and the responsibilities of the actors;
- Introduce new types of checks within PEFs (a priori, accompanying, prior, a posteriori and contractual);
- The extension of financial control to other public entities (public limited-liability companies with a public participation rate of more than 33% and less than or equal to 50%, companies which hold the services of public institutions and bodies subject to specific control under their founding documents);
- Introduce a new dynamic segmentation based on three criteria: level of ownership of capital or endowment, quality of management and governance, and State financial risk and contribution;
- Ensure that financial control is given a certain boost;
- Clarification of the role of financial control officers;
- Ensure that the financial control system is operational and effective.

c. External audit in strategic Moroccan public enterprises

External auditing of strategic Moroccan public companies has been intensified to meet the requirements of the SA law and ensure compliance with the principles of transparency and accountability. Indeed, external auditing allows strategic Moroccan public companies to better

draw important lessons and make recommendations to be considered in terms of improving the quality of management and the functioning of the company's governing bodies.

Several public companies are subject to external auditing, following the example of Barid Al Maghrib, which underwent a strategic and organizational audit in 2020 as part of the effort to strengthen the effectiveness of state financial control by focusing it on performance monitoring. Thus, government commissioners and state auditors annually communicate all audit reports conducted on public enterprises to the various chairmen of boards and deliberative bodies regarding the functioning of their organizations and ensure the issuance of the necessary recommendations to be followed by the various Moroccan public enterprises.

Furthermore, within the framework of monitoring strategic orientations included in the reports of global organizations on improving corporate governance, external auditing occupies a prominent place in terms of strategic concerns (governance of the institution, institutional framework, global strategy, etc.), in addition to financial, operational, and management considerations.

Also, after a thorough and comprehensive reading and analysis of the reports of the Statutory Auditors of strategic Moroccan public companies published for the 2022 and 2023 financial years, we note that the majority of external audit reports prepared by the auditors are certified and provide a true and fair view of the results of the companies' financial year operations and are consistent with the Professional Standards and the Accounting Framework in force in Morocco. On the other hand, on a theoretical level, the main purpose of external audit is to guarantee the transparency of all information transmitted by managers to third parties (Anderson et al, 1993; Charreaux, 1997; O'Sullivan and Diacon, 1999; Velury et al, 2003). Also, it is considered as a governance mechanism in its own right, allowing the regulation of relations between the different holders of interests in the company (O'Sullivan and Diacon, 1999).

d. External audit and corporate governance in Moroccan legislation

After a thorough analysis of the legal and regulatory texts of the relationship of external audit with the improvement of corporate governance in the Moroccan context. We note that there is among them Law 17-95 on SA, which has enabled us to detect a number of information and findings with regard to the contribution of the external audit mechanism, especially the role of the External Auditor in improving the transparency of financial and non-financial information, as well as in the context of informing shareholders about the degree of protection of their rights within companies. The CAC makes it possible to inform the company's shareholders of any infringement of their rights by any stakeholder in the company, in particular in the context of the provisions concerning the functioning of the board of directors or in the management of the company's ordinary general meeting. However, Article 47 of the Law states that the auditor(s) shall report any violation in their report to the ordinary general meeting concerning the provisions of Articles 44 and 45 which are not complied with, in terms of the number of shares must hold each director of the company to give shareholders the right to attend the ordinary general meeting.

In addition, with regard to transparency of information on authorized agreements and proposed agreements to shareholders, the Chairman of the Board of Directors must notify the auditor(s) of all agreements authorized in Article 56 of this Law, within thirty days of the date of their conclusion, these agreements must be submitted for approval to the next ordinary general meeting. The auditor(s) must prepare a special report on these agreements to the general meeting. However, the latter has the right to convene the Management Board or the Executive Board in case of emergency.

However, for the purposes of carrying out its external audit mission in the best possible conditions, Articles 166 and 167 state that the auditor(s) shall carry out all the checks and

inspections, the latter shall have the right to provide on the spot all the supporting documents necessary for the conduct of its audit mission, in particular as regards contracts, books, accounting documents and records of minutes. However, this right of information may not extend to the communication of documents, contracts and documents held by third parties, unless they are authorized to do so by the President of the court giving interim relief. In addition, the auditor(s) shall have the permanent task of auditing the company's securities and books, accounting records and verifying that its accounts comply with the accounting rules. They shall check those documents together with the content of the management report prepared by the Executive Board or the Supervisory Board before it is submitted to the shareholders. Indeed, the auditor ensures that legality and sincerity have been respected between the shareholders and ensures that the shareholders of the company are informed.

Article 173 of that law also states that the summary statements and the management report of the board of directors or the executive board must be held by the auditor or auditors at least 60 days before the notice of the convening of the annual general meeting.

However, in the case of an increase or reduction in the capital of the company, the draft reduction or increase in the capital shall be communicated to the auditor(s) at least 45 days before the assembly meeting. The assembly shall take a decision on the report of the auditor(s) who shall state their opinion on the causes and conditions of the reduction and increase of the company's capital

Nevertheless, in terms of strengthening information for shareholders, the ordinary annual general meeting must be convened at least for the fifteen days preceding the date of the meeting and any shareholder has the right to acquaint himself with the registered office (LAW NO. 17-95 ON PUBLIC LIMITED COMPANIES (Amended and supplemented by Laws 81-99, 23-01, 20-05, 78-12):

- (1) The agenda of the meeting;
- (2) The text and the explanatory memorandum of draft resolutions submitted by the Management Board or the Executive Board and, where appropriate, by the shareholders;
- (3) The list of directors on the Management Board, the members of the Executive Board and the Supervisory Board, as well as, where appropriate, information on candidates for such bodies;
- (4) The inventory, summaries of the preceding financial year, as decided by the Management Board or the Executive Board, and, where appropriate, the comments of the Supervisory Board;
- (5) The management report of the Management Board or the Executive Board submitted to the meeting, together with, where appropriate, the observations of the Supervisory Board;
- (6) The report of the auditor(s) submitted to the Assembly and the special report on conventions.
- (7) The project for the allocation of results.
- (8) The list provided for in the second paragraph of article 57 or article 96 above, as the case may be;
- (9) The list of conventions provided for in Articles 56 and 95.

Similarly, according to this law, every shareholder has the right to obtain access to corporate documents referred to in Article 141 and the list of shareholders with the indication of the number and class of shares each shareholder holds.

The auditor(s) shall inform the management board or the executive board and the supervisory board of the following information:

- (1) the checks and inspections and the various surveys they have carried out;

- (2) items in summary reports subject to change.
- (3) the irregularities and inaccuracies identified;
- (4) conclusions compared to the comparison of the results of the current financial year with those of the previous financial year;
- (5) any criminal acts of which they have become aware in the performance of their duties.

However, for publicly traded companies, the auditors must inform the ethics board of the securities, irregularities and inaccuracies that they have detected in the performance of their duties (LAW N° 17-95 RELATIVE TO PUBLIC LIMITED COMPANIES (Modified and supplemented by Laws 81-99, 23-01, 20-05, 78-12).

Finally, in the report of the External Auditor to the General Meeting, the External Auditor shall:

- (1) Certify that the summaries are regular and true and give a true and fair view of the result of the preceding financial year and of the financial position and assets of the company at the end of that financial year;
- (2) Attach qualifications to certification;
- (3) Reject the certification of the accounts.

In addition, as part of improving governance in the management of public limited liability companies, an important measure is taken into account by Bill No. 88.11 amending and supplementing Law 17-95 on public limited liability companies, with the aim of ensuring transparency of information intended for the stakeholders of companies. The draft law provides for the strengthening of information for shareholders by complying with certain provisions relating to the holding of general meetings and thus helps to facilitate the exercise of their rights.

This law has been supplemented by a new article (art. 121 bis) to modernize the rights of societies by integrating new information and communication technologies in order to simplify procedures for convening assemblies in order to encourage the dematerialization of procedures, while promoting this law to move closer to internationally recognized standards.

To strengthen governance within Moroccan companies, two measures are included in the draft law: the first consists of giving companies the choice of appointing a vice-chairman of the supervisory board (art.90). Yet the old provision insists that such appointment must be mandatory and creates confusion of responsibility between the president and vice president. In addition, a second measure in the new Article 106a, which requires listed companies to set up an audit committee responsible, inter alia, for monitoring the preparation of information for shareholders, the public and the CDVM and for monitoring and evaluating internal control, internal audit and statutory audit systems within companies.

e. Contractualization of the State's relationship with public enterprises

The public enterprise sector is an engine of economic and social development in the Kingdom of Morocco, and this, because of the colossal public investments that it makes annually and continuously participates in the realization of the sovereign policy of the State, and this, in terms of territorial and spatial development in the different areas of activity, particularly in terms of the promotion of employment, education, health and infrastructure.

Thus, in the context of strengthening the governance of public institutions and enterprises (PEEs) and the effectiveness of state control over these entities, on the one hand, and in response to the requirements of correlation between accountability and accountability, transparency and efficiency, on the other hand, the Moroccan Government has implemented framework law 50-21 on the reform of public enterprises and institutions, with a view to improving the mechanisms for evaluating their performance and generalizing controls according to the strategic challenges of these PEEs and their socio-economic roles. These actions improve the

quality of the services provided by the PEFs, strengthen their investment capacities through the use, where appropriate, of public-private partnerships in order to develop a quality public service and consolidate the country's infrastructure.

This contractual relationship between the State and the State-owned enterprises will also help to strengthen the framework for governance and evaluation of the achievements of the enterprises in relation to the economic and social development objectives of our country and to ensure the improvement of the quality of service offered to Moroccan citizens and subsequently the rationalization of public expenditure.

The development of the contractual relationship between the State and public enterprises requires the improvement of their mode of governance and the promotion of a culture of performance, responsibility, accountability and transparency as well as the improvement of the Moroccan business climate.

In this regard, a "methodological guide to the contracting of relations between the State and public enterprises", was drawn up in 2013, in complementarity with the actions carried out in the framework of the code of good practices of governance of PEFs launched in 2012, the Guide presents the main titles of the contractual relationship of the public portfolio, based on lessons learned from the Moroccan experience and benchmarking with international best practices in the field of State-PEF contracting and subsequently constitutes a strategic roadmap of the contractual relationship, with a view to its generalization according to the provisions of the circular Head of Government of 15 May 2013.

A distinction is first made between two types of contracts, the program contract and the development contracts.

i. The Program Contract

According to the report on Public Enterprises and Institutions published annually by the Ministry of Economy and Finance, this first type of contract aims in particular to promote the technical, economic, and financial performance of these public enterprises in order to increase their autonomy. Indeed, it has an impact on the method of controlling the EEP. To this end:

According to the provisions of Law No. 69-00 on State financial control over public enterprises and other organizations, EEPs linked to the State by Program Contracts are subject to accompanying control as an alternative to prior control.

However, public enterprises subject to accompanying control are exempt from the prior approval of the Minister of Economy and Finance for the following acts:

- Multi-annual estimates;
- Budgets;
- Staff regulations;
- The organizational chart setting out the organizational structures and their remit;
- The Regulation laying down the rules and procedures for the award of contracts;
- The conditions for issuing loans and using other forms of bank credit, such as advances or overdrafts;
- Allocation of results.

However, any change in the type of control assigned to any public enterprise requires the publication of a decree by the Head of Government that includes the public enterprise in question in the list of public enterprises and establishments subject to accompanying control.

ii. Development contracts

The purpose of this second type of contract is to support the public enterprise in the various aspects of its development. This type of contract is based on local assistance and support from the public enterprise in all aspects related to its activity, internal operation, management, strategy.

In addition, they mainly serve to strengthen the economic and social role and strategic position of these public enterprises at national and international levels. They may concern all types of public enterprises, to enable them to facilitate the implementation of institutional, organizational, economic and financial restructuring and the strengthening of the operational achievements of the PEF, as well as the implementation of structural economic and social development projects for the Kingdom.

5. Conclusion

The choice of a qualitative documentary study allowed us to better understand the reality of the context of external audit quality and the improvement of governance in Moroccan public enterprises, particularly with regard to the state's relationship with public enterprises in general and strategic public enterprises in particular, aspects of governance in Moroccan public enterprises through knowledge of the specificities of state control over public establishments and enterprises, the code of good governance practices, and the specificities of Moroccan legislation regarding external auditing in public limited companies in Morocco.

This qualitative documentary method was carried out through the study of secondary data by reviewing various documents and official reports on the context of external audit quality and governance in Moroccan public enterprises, in order to provide an in-depth analysis of the variables covered by our research study, particularly in the context of Moroccan public enterprises.

This documentary study of the Moroccan strategic public enterprise sector provides greater visibility and clarity regarding the functioning of external auditing, corporate governance, and state control in this strategic sector, in order to facilitate understanding of the purpose and context of the research.

Thus, based on our analyses, we believe, under Law 17-95 on public companies (SAs), that the Statutory Auditor only plays the role of communicator to shareholders and various stakeholders regarding the summaries of financial and non-financial information collected during their audit, financial monitoring, and the functioning of the governance bodies of Moroccan public enterprises.

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