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**Conference Paper**

## Internal Audit as a Lever For Governance: The Case of Firms in an Emerging Economy

**Provided in Cooperation with:**

Governance Research and Development Centre (CIRU), Zagreb

*Suggested Citation:* Mbarka, Elghazali; Hicham, Drissi (2018) : Internal Audit as a Lever For Governance: The Case of Firms in an Emerging Economy, In: Tipurić, Darko Labaš, Davor (Ed.): 6th International OFEL Conference on Governance, Management and Entrepreneurship. New Business Models and Institutional Entrepreneurs: Leading Disruptive Change. April 13th - 14th, 2018, Dubrovnik, Croatia, Governance Research and Development Centre (CIRU), Zagreb, pp. 20-32

This Version is available at:

<https://hdl.handle.net/10419/179980>

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## Internal Audit as a Lever For Governance: The Case of Firms in an Emerging Economy

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### Abstract

*Since the financial scandals of the 2000s, the business environment has been punctuated by fraud and ethical problems that increase uncertainty and risk in the conduct of business. Researchers and practitioners have analyzed these scandals as the result of the weakness and failure of corporate governance systems. This context inevitably put upfront the internal audit function.*

*While it is clear that the practices of governance in developed countries have been the subject of many studies for several decades, in developing countries, on the other hand, research is scarce and, if it exists, is not widely known and remains little explored. We chose as a field of study, the Moroccan companies.*

*An exploratory study by face to face interviews was conducted. The first results of this study allowed us to conclude that all the conditions for the internal audit to actively contribute to the effectiveness of the governance system are not met in Moroccan companies.*

*Our study shows that the audit committee does not guarantee a good framework that allows internal auditors to perform their role in the best conditions of impartiality and independence and therefore to participate effectively in the governance process.*

**Keywords:** Corporate governance, emerging economy, Internal audit, audit committee.

Track: Governance

Word count: 6.347

### 1. Introduction

Since the financial scandals of the 2000s, the business environment has been punctuated by fraud and ethical problems that increase uncertainty and risk in the conduct of business.

Researchers and practitioners have analyzed these scandals as the result of the weakness and failure of corporate governance systems, including counter-powers and poor corporate governance.

To cope with these slippages, we are witnessing, especially in Western countries, the publication of codes of good governance and the promulgation of an important legal arsenal (the Sarbanes-Oxley Act in the United States, the law on financial security in France...). The purpose of such principles is to reinforce companies' obligations in terms of transparency of information and to develop the values of ethics and social responsibility.

This context has brought to the fore the internal audit function, whose main mission is to make the financial information value chain more reliable and to assure shareholders and other stakeholders that their business is well under control and achieves the objectives set. In fact, the Institute of Internal Auditors (IIA) defines the audit function as "*an activity that helps companies achieve its objectives by evaluating, through a systematic and methodical approach, its business processes, risk management, control and corporate governance and making proposals to enhance its effectiveness*". This definition places the role of the internal

audit function in corporate governance. According to the agency's theory (Adams, 1994), internal audit appears as a mechanism to control the behavior of the manager if he has fully respected all his contractual obligations.

Hence our research question: How does internal audit contribute to improving corporate governance in a developing economy? We chose as a field of study Moroccan companies, a developing economy. In fact, in these countries, research is scarce, not widely known, and remains little explored. However, these economies deserve particular attention in terms of governance because they are characterized by a strong propensity for corruption as well as the opacity of companies' internal control methods (Ebondo, Pigé, 2002). Officials around the world recognize that corporate governance reform is vital for developing countries seeking to attract investment and strengthen their economies.

The purpose of our research is the practice of Internal Audit within Moroccan companies. Our objective is therefore to highlight how internal audit contributes actively to the effectiveness of the governance system from the point of view of the auditors.

This article will be structured in two parts. The first part presents the framework of theoretical analysis of corporate governance, this will lead us to expose the conditions of exercise of the audit function and its role in the corporate of governance. The second part will be devoted to empirical study; we will present the methodology used and the analysis of the results.

## **2. The contribution of internal audit to the corporate governance process: the theoretical approach**

### **2.1 Corporate Governance Analysis Framework**

The origin of the concept of corporate governance goes back to the work of Berle and Means (Ebondo, 2006). According to Ebondo (2006), these authors have highlighted the existence of a company characterized by a dissociation of management and ownership functions. Based on this representation of the firm, a first field appears under the name of shareholder vision of corporate governance. Critics have helped to emerge a second approach responding to a stakeholder vision of the company.

#### **2.1.1 The shareholder vision of governance**

The company is managed by the managers mandated by the owners (shareholders) in order to maximize the rent that they could obtain. Managers may be led to adopt a behavior deviating from the goal of maximizing the value of the company for the benefit of shareholders. The decisions made by the leaders would be more for rooting in the organization than maximizing rent for the owners. Corporate governance is the implementation of organizational arrangements by which shareholders may exercise control over the decision-making process / actions of managers.

To this end, the OECD (1997) defines corporate governance as the set of "*rules and practices in which economic organizations respond to the information and incentive problems inherent in the separation of ownership and control in the big enterprises*". For Charreaux (1997), corporate governance covers "all the organizational mechanisms that have the effect of delimiting the powers and influencing the decisions of the managers, in other words, who govern their discretionary space". This view of governance is now dominant in economies that use the financial market as the main financing channel (Finet, 2005).

### 2.1.2 The stakeholder vision of governance

The partnership approach challenges the assumption that only shareholders are at risk, leading to a different definition of governance (Caby, Hirigoyen, 2014). The firm can no longer be limited to the sole prism of the manager and the shareholders. The recognition of other stakeholders or actors in the process of value creation (employees, suppliers, banks, subcontractors, customers in particular) requires that the company gives a similar importance to the interests of all stakeholders. These other stakeholders are entitled to hold the company accountable.

A first source of explanation can be based on the vision of the organization proposed by d'Iribarne (1993). The evolution of the theories of the organizations leads to apprehend the company as a space of multiple cooperations, complementary contributions, valuation of the investments according to the specific investment of the other actors. As a result, stakeholders are a point of support for the value creation goal. In exchange for their commitments within the company, stakeholders can claim rights. They are therefore owners in the same way as shareholders (Charreaux, 2004). This argument is used by many authors (DeZoort, Salterio, 2001, Cohen J. Krishnamoorthy, J. Wright, A. 2002. Omri A. 2003) to justify the superiority of the stakeholdering model over the shareholding model.

The consideration of all stakeholders as owners of the company changes the role of the corporate governance process. The will of the leaders must be to create a climate of trust and cooperation, a necessary condition for the creation of value. It is for the managers to make sure that no stakeholder takes a long-term share of wealth to the detriment of others. The corporate governance then consists in making possible the cooperation of the stakeholders composing the company. The governance system thus constitutes a set of mechanisms allowing an optimal allocation of the organizational rent between the different stakeholders of the company. The objective is "*to minimize the losses generated, precisely by the conflicts related to the methods of sharing the organizational rent*" (Caby and Hirigoyen, 2014).

### 2.2 Internal audit as a governance mechanism

An analysis of the different systems of corporate governance shows that executives have more powers than shareholders. Indeed, managers have more access to strategic information and can manipulate it to their advantage. It is clear that shareholders are in a position of information asymmetry, which is a source of conflict between managers and shareholders.

In addition, internal audit is entrusted with an assessment mission of the internal control system aimed at highlighting the strong and weak points of all the company's activities. It highlights strengths that ensure smooth functioning and weak points that lead to a lack of economy-efficiency-effectiveness (Louart, Beaucourt, 2005). This mission ends with the issuance of a report, rich in relevant information on all strategic, commercial, financial and organizational risks. This report complements that of the statutory auditor whose mission is to examine the risks as long as they can have an accounting translation. The main recipients of the internal audit report are the General Management, the Audit Committee and the Board of Directors. Audit thus contributes to the reduction of conflicts by reducing information asymmetry and consequently by establishing a balance of powers, in a shareholder vision of governance.

Recently, we are seeing the role of the audit function expanded. Indeed, the IIA (2009) defines internal audit as "*an independent and objective activity that gives an organization an assurance of the degree of control of its operations, gives it advice to improve them and contributes to creating value added*.". This definition gives a new dimension to the internal

audit function, which was limited, a few decades ago, to assurance missions by evaluating and strengthening the internal control system. Currently, internal audit also has to contribute to the creation and preservation of value by consulting missions (Melville, 2003). These missions result in operational improvements and appropriate information for managers. Auditors are now recognized for their ability to go beyond findings to provide insights and advice that strengthen their contributions to value creation (Munro, Stewart, 2010). The addition of advisory activities shifts the role of auditors from a traditional audit approach to a value-added, proactive approach where auditors act as management partners by engaging in every aspect of the activity of the organization (Bou-Raad, 2000).

The role of the auditor is thus appreciated differently by the main actors of the organization according to their expectations. Indeed, for the board of directors and the audit committee, the role of internal audit is to provide assurance, whereas for management, this role is largely consultative (Piot 2005). This extension of the audit to other missions and to other partners corresponds to the stakeholder approach of corporate governance.

This dual role of providing advisory services in addition to assurance can impair the objectivity and independence of the internal auditor in the performance of his work. In order for internal audit to play its role as guarantor of security and actor of change, the independence and objectivity of internal auditors is undeniably the guarantee of a reduction of information asymmetry and an effective signal of change. 'a good culture of transparency. Several studies have examined the factors influencing the objectivity and independence of auditors (Brody & Lowe, 2000, Scheinder, 2003 & 2008, Mugattash, 2011, Rose, 2013). According to Scheinder (2008), the notion of independence implies organizational issues, while objectivity refers to the individual listener who maintains an impartial state of mind.

In the context of our research, we will consider two factors: the need for a hierarchical link ensuring the independence of the auditor and the optimal interaction between the actors in the overall audit process, namely internal audit - external audit - committee enabling the objectivity of the internal audit.

## **2.3 The interaction between actors in the overall audit process for the promotion of corporate governance**

Recent legislative developments (SOX, LSF, 8th European Directive, Moroccan Code of Governance) suggest that interaction between the three actors (internal audit - external audit - audit committee) is a way to make this global process audit more efficient and add value to the corporate governance process.

### **2.3.1 The hierarchical reporting of the internal audit function**

The ability of internal auditors to impartially assume their responsibilities is the best proof of their independence. The hierarchical linkage of internal audit must preserve and ensure its independence. The Director of Internal Audit must have direct and unrestricted access to senior management and the Board of Directors to achieve a degree of independence necessary and sufficient to carry out his responsibilities. This objective can be achieved through a double hierarchical link to the management and functional link to the audit committee (IFACI, 2002).

#### **Internal audit department attached to management**

The internal audit department can be attached to the general management. For Renard (2006), such a connection allows internal auditors "*to fully exercise their role as management consultants, interacting with senior management and all levels of management*". The

disadvantage of this connection is to imply that the internal audit service is the « policeman of the management », which does not fully reflect its true role in the process of risk management, production and development. financial and non-financial information.

#### **Appointment to the board of directors or the audit committee**

The department or the internal audit department may report directly to the board of directors or the audit committee set up within it. In the context of good governance, attachment to the board of directors makes it possible to reduce the asymmetry of information that may exist between the directors and the representatives of the shareholders (the board of directors).

In short, the two solutions envisaged have both advantages and disadvantages. A study conducted by Ebondo (2006) aimed at understanding the feeling of internal auditors about the hierarchical connection that seemed to them more effective. For more than 80% of internal auditors surveyed, their attachment to senior management (37.14%) or to the CEO (31.43%) is a good thing for the reliability of information. Only 20% think the opposite.

#### **2.3.2 Relationship Internal Audit-Audit Committee - External Audit**

##### **Relationship Internal Audit-Audit Committee**

For the Moroccan code of governance, the audit committee's main missions are:

- follow the process of developing financial information;
- monitor the effectiveness of the company's internal control, internal audit and risk management systems;
- review and monitor the independence of the external audit: make a preliminary selection of the statutory audit whose designation is proposed.

Thus, the audit committee must not only protect the independence of internal audit and external audit, but also adopt an integrated view of the audit function and ensure coordination between internal audit and external audit.

According to DeZoort (1997), the audit committee has two major missions with the internal audit function, which include overseeing the reliability of the internal control system and mitigating the auditor's hierarchical dependence. within the executive branch, including a review of audit plans.

Kalbers and Fogarty (1993) show that the committee must be formally appointed by the board of directors and have authority under an operating charter.

A UK case study, by Turley and Zaman (2007), revealed the critical importance of the audit committee, as it is seen as a spontaneous relay of information for the head of internal audit. especially in the event of conflict with financial reporting, or discovery of an excess on the part of a senior executive.

Moreover, as explained by Gendron and Bédard (2006), the effectiveness of the audit committee comes much more from informal processes, by catalysing exchanges outside meetings and by facilitating the early resolution of conflicts between auditors and management.

##### **Relationship Internal Audit- External Audit**

The objective of the external audit is to certify the regularity, the sincerity and the faithful image of the accounts. Cooperation between internal and external auditors would be one way of making the global audit process more efficient and effective (Felix & al., 1998, 2001, Moore and Hodgson, 1993). The benefits of sharing knowledge and complementing know-how are essential. In fact, internal auditors and internal auditors are required, as part of their mission, to evaluate the internal control system, both rely on a risk-based approach.

According to IIA 2050, "*in order to ensure adequate coverage and avoid duplication, the CAE should share information and coordinate activities with other internal and external assurance providers. and advice*".

Zain et al. (2006) indicate a positive association between the size of the internal audit department and the level of auditing experience of the department's people, on the one hand, and the exchange between internal audit and external audit, of somewhere else.

Although they appear obvious in terms of skills, the effects of synergy in terms of independence remain to be demonstrated (Bertin, 2002). Similarly, the intervention of the audit committee should be analyzed in the relationship between the internal auditor and the external auditor.

### **3. Internal audit and government: in a Moroccan business context**

#### **3.1 Methodological approach: A qualitative study**

The study aims to understand the practice of internal auditing in Moroccan companies through their participation in the reduction of information asymmetry, their hierarchical connection, and their relationship with stakeholders in corporate governance. particular the audit committee. It is about understanding the implication of such practices based on judgment and the interpretation of the first concerned namely the internal auditors.

Indeed, as we try to understand and interpret the feelings, the interview appeared as the most realistic approach to the situation. As Blanchet and Gotman (1992) point out: "*The interview survey is the privileged instrument of the exploration of the facts of which speech is the main vector. These facts concern systems of representations (constructed thoughts) and social practices (experienced facts)* ". The research approach used is therefore interpretive or comprehensive.

This research will draw on the discourse of the participants who are the internal auditors. The collection of these speeches was done through interviews with actors operating in companies listed on the Casablanca Stock Exchange. The choice of these companies is based on two considerations. Most of these companies are those that first set up an audit committee following the recommendations of the code of good governance (2008), they have a relatively old practice and therefore, we can assume, richer. Then, because they are big companies with transparency in information, they seemed more affordable.

Twelve semi-structured interviews were held with the heads of the internal audit function. The analysis process was done in several stages. Firstly, the interviews were analyzed individually to identify the themes, and in particular the topics common to all the interviews. Then, a cross-sectional analysis was conducted on the basis of a manual coding of which the chosen unit was the meaning paragraph. This operation, as pointed out by Thiétart (2007), produced a volume of manipulable data, excluding paragraphs that were not related to the research question. Finally, a second analysis, interview by interview, was conducted to understand the construction of the interviewees discourse and in particular to highlight the contradictions that may exist in the speeches of the interviewees (Bardin, 1993).

The internal audit function was created in Morocco from the end of the 1980s, following a growing government commitment to establish and strengthen transparency and good governance practices. within Moroccan companies. In fact, public enterprises were the first to adopt the function of internal audit, the main objectives behind its creation were to clean up the financial statements of these companies. This function has subsequently spread to the sphere of private companies, in order to implement and develop governance practices that are a source of competitive advantage.

In Morocco, the internal audit function is governed by international normative documents, developed by the IIA (Internal Institute of Auditors), which gives it the quality of an

internationally recognized profession. Given the reliance placed on internal audit to provide objective assurance on the processes of corporate governance, risk management, and control, it was necessary for the profession to develop a body of The aim is to promote a culture of ethics within the internal audit profession.

### **3.2 Analysis of the results**

#### **3.2.1 Clarifying the role of each player in corporate governance**

At first glance, we wanted to get a sense of how auditors perceive their role in corporate governance. Before presenting these representations, we took care to check whether the auditors interviewed had a similar conception of corporate governance. For that, we proposed to them two definitions resulting from the synthesis proposed by the review of the literature:

- the shareholder vision according to which governance is the set of mechanisms allowing shareholders to exercise control over the decision-making process / actions of managers;
- the stakeholder vision according to which the governance is the set of mechanisms making it possible to ensure that no stakeholder of the company takes durably a part of wealth too important to the detriment of the others;

A strong majority of them (10 out of 11 internal auditors) adopted the stakeholder vision of governance. This position can be explained by the fact that the internal audit carries out an insurance mission and an advisory mission, it is therefore a governance mechanism justified by the partnership vision of governance. The auditors interviewed believe that their work is not only intended for governance bodies (board of directors, audit committee), but also for the general management and departments of the company. Auditors have a plural conception of organization (Caby and Hirigoyen, 2005).

When asked about the mechanisms used to promote corporate governance, auditors cite the assessment of internal control as the most important way to promote corporate governance. Specifically, the auditors identify the following mechanisms (in order of quotation):

- separation of incompatible functions
- tender procedures
- implementation of recruitment and investment procedures
- establishment of quality standards for the acquisition of resources

Thus, the internal audit practiced within Moroccan companies is a compliance or regularity audit which consists in verifying the correct application of rules, procedures, job descriptions, organization charts, information systems ... In short, it compares the rule and the reality, what should be and what is (Renard, 2006). On the other hand, we find that overall, the internal audit in Moroccan companies plays no role in risk management as provided for in the definition of the Institute of Internal Auditors (IIA) and the literature review. For Brody and Lowe (2000), the role of internal audit in corporate governance can be assessed on two levels: reducing information asymmetries and managing risks. According to Ebondo and Zéghal "*The main objective of Enterprise Risk Management is to increase trust and contribute to creating value for shareholders. It is also expected that the company's risk management will contribute to building trust with investors by reviewing the company's business processes in order to identify any malfunctions or activities that are sensitive to the needs of companies. key objectives of the company.*"

#### **3.2.2 Factors Influencing the Objectivity and Independence of Internal Audit**

Independence is above all the main guarantee of their objectivity of opinion. Without independence, internal audit can not ensure its role as an institutional mechanism put in place to regulate the behavior of stakeholders (Charreux, 2002, Godowski, 2007). As in the

literature review, we considered that independence is assessed through the nature of the auditor's assignments, hierarchical reporting and the interaction of internal audit with the audit committee.

### **Insurance versus consulting missions: a threat to the independence of the audit**

The analysis of interviews shows that auditors devote the majority of their time to insurance activities to the detriment of consulting activities. Focusing activities of the internal audit will thus concern the audit of the operational processes, the audit of conformity and regularity, the audit of the financial risks and the risks information systems.

According to the literature review, internal audit provides both insurance and advisory activity. These two activities complement each other to improve the performance of an organization. But this overlap also fuels suspicions about preserving the independence of internal audit. Yet most of the auditors interviewed do not perceive this expansion of internal audit missions as a problem. They would even like consulting activities to become more and more important in their activity in order to enhance the role of internal audit and bring added value to organizations by proposing operational improvements and appropriate information for managers.

thus the internal auditors speak of this desire to broaden their mission to consultancy activities in these terms:

*"By conducting our insurance missions objectively, we will gain in terms of legitimacy. We will then be recognized for our ability to go beyond the findings to provide insights and advice that strengthen our contributions to value creation for all departments."*

*"We have to get away from the image of the auditor-censor to play the role of pedagogue for the operational staff, the members of the board of directors."*

Auditors acknowledge, however, that they are increasingly being solicited for advisory activities such as providing advice and guidance on risk management activities. This trend is confirmed by empirical studies. For example, Allegrini and Bandettini (2006) report an increase of between 7 and 26 per cent of the time devoted to consulting activities in Italian companies. Herbbach (2001) find that 64% of survey respondents, from the internal audit officials in 15 European countries, said that their function is engaged in management consulting.

### **Hierarchic reattachment**

Independence is identified by an appropriate hierarchical position within the organization.

According to our study, six of the eleven internal auditors report to senior management; three auditors report to the Chairman of the Board of Directors, two of the eleven are attached to the audit committee.

For the internal auditors interviewed, the advantage of being attached to the general management lies in the access to information. The very fluidity of the information disseminated from the internal audit to the other departments allows reactivity in decision-making. For a questioned auditor, such a connection allows *"to fully exercise their role of management advisers, interacting with senior management and all other hierarchical levels"*. However, for other auditors, this implication implies that the internal audit service "is the police officer of management", which does not fully reflect its true role in the process of production and development of financial and non-financial information.

According to professional standards, in the context of good governance, the attachment to the board of directors makes it possible to reduce the asymmetry of information that can exist between the managers and the representatives of the shareholders. It turns out that the audit committee already has a close relationship with the internal audit function in order to have reliable information. Thus, the audit committee must not only protect the independence of the

internal audit. Turley and Zaman (2007) show, based on a case study of a UK financial firm, that the head of the internal audit approached the board of directors in order to avoid a reduction of its resources by the direction. Designing it that way requires the board to provide a minimum of independence and competence. However, the auditors attached to the board of directors or to the audit committee do not feel that they enjoy the support of governance bodies. One of the auditors admits that: "*In my company, appointments follow rules of cronyism and family ties, we are often reluctant to tell them about our findings for fear of reprisals*".

In our opinion, the explanation is that the Moroccan economy remains dominated by family businesses or the confusion property / management remains dominant. This situation limits the development of a governance culture based on transparency. Thus, the directors of the audit committee are chosen from friends of club, school or of similar social origin. Under these conditions, it is illusory to expect these directors to effectively exercise their role of controlling managerial action. This results in collusion between management and the board of directors; the relationships between the directors and officers are closer than those between directors and shareholders.

Another point that seems important to us is the audit plans related to the attachment of the audit function. The professional standards developed by the Institute of Internal Auditors insist on good management of the internal audit activity, particularly through better mission planning. For this purpose, the missions to be planned must take into account the risk assessment, in order to define priorities consistent with the objectives of the organization.

In our research, the auditors interviewed consider that the quality of the audit plan seems less satisfactory when it is validated by senior management, particularly in terms of the completeness of the plan and its coverage of risk areas. Directors fail to program missions that go against their personal interests. The level of quality increases when its validation is delegated to the audit committee or the board of directors.

### **The functioning of Audit Committees**

Managers have the privilege of accessing relevant information. They can take advantage of their position to manipulate information or adopt an attitude aimed at increasing and exploiting the situation of information asymmetry. For the audit committee, the internal audit is an important relay for the collection of all information necessary for decision-making. Thus, the latter could effectively exercise their function of controlling the leader. The use of the audit committee gives more weight to the internal auditors, in the discussions they may have with the management of the company. This support of the audit committee reduces the pressure on the auditors by the management of the company. By reducing these pressures, members of Audit Committees make it easier for auditors to express their independence.

Our results show the importance of internal audit managers recognizing the importance of the audit committee in improving governance. However, in fact and in a Moroccan context, the situation seems more delicate. The internal auditors interviewed in our survey are "not completely satisfied" with the role played by the audit committee.

Firstly, the members appointed to sit on the Audit Committees rarely know their powers and the powers devolved to them by the various Moroccan laws (Law on the SA, Banking Law and the Law on Insurance). Most of the time, they are content to meet with the external auditors to read their reports before presentation to the boards of directors and general meetings of shareholders. This question refers to the need to train and thus professionalize some members of the audit committee. Indeed, it seems to us that the best way to evaluate this competence objectively and to identify it through the training of the member of the audit committee in question.

Secondly, internal auditors lament the committee's reaction when they have major weaknesses in internal control or risks that they feel are not sufficiently taken into account by senior management.

In both situations, a majority of internal auditors report that the reaction and influence of the audit committee is insufficient. These results are in line with those obtained by the study by Cohen et al. (2002) that auditors perceive audit committees as ineffective and weakly empowered.

According to the Moroccan code of governance, it is necessary for the audit committee to be independent, competent and involved. The presence of the audit committee is therefore not a sufficient condition to promote good corporate governance. Goodwin (2003) indicates that independence is further enhanced if Board members, in addition to being independent, have the technical expertise to understand the work of internal audit.

The Anglo-Saxon literature (Felix & al., 2001, Haron & al., 2004) has been particularly prolific on the benefits of interaction between the various actors in the corporate governance process. Sarens & al. (2009) highlighted in the North American context that an important mission of the audit committee was to consolidate the internal and external audit programs.

#### 4. Conclusion

To finance their investments, Moroccan companies are now using more sources of external financing. The lack of credible financial statements is one of the main obstacles preventing a company from obtaining a bank loan. Good corporate governance should make it much easier for banks to obtain bank loans (Ebondo, 2004, Barnia, 2015, Medhar, 2016).

In this study, we address the question of the contribution of internal audit in the process of governance in the Moroccan context. The study of the practices of the internal audit made it possible to:

- clarifying role clarifying the role of internal audit in the governance process;
- identify the factors (hierarchical linkage, interaction with the audit committee, etc.) that made it possible to highlight the conditions of effectiveness on the governance process;
- analyze the perceived benefits of the internal audit-external audit interaction and the audit committee for governance:

From our analysis, it seems to us that the weak point of the governance process is the lack of interaction between the audit committee and internal audit. The audit committee is undeniably the weak link in this process due to the lack of involvement of its members. It should be kept in mind, for Moroccan companies, that the communication of good governance tools is not only a marketing action towards investors but it should be translated into practices on the ground that are part of in a progressive and voluntarist approach going beyond mere legal compliance.

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