



**Kingdom of Morocco**

**Court of Auditors**

**Presentation by the First President of the Court of Auditors to the  
Parliament on the activities of the financial courts.**

**January 28<sup>th</sup>, 2020**

**Praise be to God alone,**

**Mr. Speaker of the House of Representatives, Mr. Speaker of the House of Councilors, Ladies and Gentlemen Representatives and Councilors,**

I am pleased to stand before your honorable assembly to present you with a summary of the activities of the Court of Auditors and the Regional Courts of Auditors, in accordance with Article 148 of the Constitution and Article 100 of Law No. 62.99 forming the Code of Financial courts.

This presentation is part of the implementation of the missions that the Constitution of the Kingdom has entrusted to these jurisdictions. In fact, by presenting an overview of the management of public finances by the executive branch, the Supreme Audit Institution enables the legislative branch to fully play its role in the audit of government action. This is, therefore, an opportunity that would contribute to deepening the public debate in our country on the implementation of public policies and their evaluation, as well as the identification of any shortcomings that may affect them.

As you know, the financial courts exercise, by virtue of the law, numerous and various missions which relate to jurisdictional competences, aiming at the respect of the laws and regulations in force which could lead to the sanctioning of the irregularities noted. They also cover non-jurisdictional powers, which are essentially aimed at assessing the levels of effectiveness, efficiency and economy of financial operations carried out by public bodies and the degree of attainment of the objectives of public programs and policies.

**Ladies and Gentlemen, Honorable Representatives and Councilors.**

In July 2019, the Court of Auditors published its annual report on the activities of the financial courts for the financial year 2018. I had the honor of submitting it to His Majesty the King, may God assist him. Similarly, I presented it to the Head of Government and the Presidents of the two Houses of Parliament. This report was published last September in the Official Gazette and on the website of the Court of Auditors, in accordance with the provisions of Article 148 of the Constitution.

Thus, **the programming of the work of the financial courts in 2018** was distinguished by the increase in the number of audit missions carried out, which reached 274 compared to 160 missions in the previous two years, as well as by the diversification of the areas of intervention to cover all vital public sectors with an increase in the number of missions on the transversal evaluation of public programs and policies.

The assessment of the work of the financial courts during 2018 covered, as far as the Court of Auditors is concerned, 50 missions in the fields of management audit of public bodies and evaluation of public programs, while the Regional Courts of Auditors carried out 224 audit missions at the level of certain local authorities and local public establishments as well as certain delegated management companies.

The financial courts have also issued 2,144 judgments and orders in the area of auditing and judging the accounts of public accountants and 68 judgments and orders in the area of budgetary and financial discipline. In addition, the General public Prosecutor's Office at the Court prosecuted 114 persons in disciplinary matters and referred 8 cases to the Presidency of the Public Prosecutor's Office relating to acts likely to lead to criminal prosecution.

On another level, the financial courts have continued to receive the mandatory asset declarations, receiving 9,387 declarations in 2018, bringing the total number of asset declarations received by the financial courts since 2010, when the provision came into force, to 232,339 declarations.

In this regard, I would like to point out that the Regional Courts of Auditors have submitted to the Head of Government the lists of persons subject to the compulsory declaration of assets, in the category of elected officials, who have not settled their situation, although they have been informed of this by means of formal notices.

**Ladies and Gentlemen, Honorable Representatives and Councilors.**

The financial courts would not have been able to accomplish these tasks without the great solicitude of His Majesty the King, may God assist him, the support they receive from the Government and the close collaboration that binds them to the institution of Parliament. Thanks to this, the Court has been able to benefit from material resources that have enabled it to develop and modernize its master plan for

information systems, making the dematerialization of documents and the electronic exchange of data with external partners one of its priorities, with a view to improving its information system.

Similarly, the Court has been able to strengthen its capacities by recruiting new staff with profiles consistent with the nature of the missions entrusted to it, including engineers in various specialties (public works, agronomy, statistics, information systems, etc.) as well as chartered experts and auditors.

In the same vein, the Court has drawn up a strategic training plan which forms part of the strategy of the financial courts for the period from 2018 to 2021, in addition to signing numerous partnerships with other audit institutions, of which I shall cite as examples, without being exhaustive, the French Court of Auditors, the United Kingdom National Audit Office (NAO), and the INTOSAI Development Initiative (IDI), which is concerned mainly with capacity building and the exchange of experience and expertise.

These experiences have contributed to the rise of the Court of Auditors of the Kingdom of Morocco to the rank of a distinguished body among the Supreme Audit Institutions and within international organizations.

By way of illustration, the Court is responsible for auditing the cooperation operations supervised in our country by certain international institutions under the supervision of the United Nations, at their request. Likewise, since 2015, it has been carrying out the external audit mission of the International Organization of the Francophonie, which has renewed its confidence in our institution to extend this mission until 2022. Furthermore, the Court of Auditors was appointed in 2018 as a member of the ad hoc committee for the audit and certification of the accounts and financial statements of the Organization of the African Unity. Similarly, the Court participates in the group of magistrates mandated to carry out audit missions on certain international organizations such as the Organization for Economic Cooperation and Development (OECD) and the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO).

In terms of **the Court's internal organization**, the increase in the number of magistrates and auditors has enabled it to extend its field of intervention, which has

led to a new organization based on a distribution of audit areas, in the form of dedicated chambers, with the creation of two new chambers.

Thus, in view of the importance accorded by the public authorities to the field of education and training and in order to support the implementation of the Framework Act on Education and Training, a chamber was established at the beginning of 2019 to be responsible for the monitoring of various bodies in the sectors of national education, higher education, executive training, vocational training, and youth and sports.

Similarly, another chamber has been created to deal with the monitoring of public bodies in the health sector and also to be responsible for drawing up annual reports on the situation of the health insurance funds and to support the bodies that manage them; these are the National Social Security Fund (CNSS<sup>1</sup>), the Moroccan Health Insurance Fund (ex CNOPS), in addition to the National Health Insurance Agency (ANAM<sup>2</sup>).

### **Ladies and Gentlemen, Honorable Representatives and Councilors.**

The annual report includes many missions whose purpose is directly **related to the management of public finances**. Thus, and within the framework of the constitutional mission that the legislator has entrusted to the Court of Auditors by virtue of article 148 of the Constitution, relating to assisting Parliament, and in application of article 66 of the organic law relating to finance laws, the Court has prepared and submitted to Parliament on July 23th ,2019 **the Report on the Execution of the Finance Law for the year 2017**, as well as the General Declaration of Conformity of the accounts of public accountants to the general account of the Kingdom for the same year. The Court notes in this respect that the Government has complied with the strict observance of the deadlines imposed by the organic law of finance; the bill of regulations for the year 2017 having been submitted without any delay.

As part of the preparation for the implementation of one of the main innovations of the Organic Law of Finance, concerning **the certification of the State's accounts**

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<sup>1</sup> Caisse Nationale de Sécurité Sociale

<sup>2</sup> Agence Nationale d'Assurance Maladie

from January 1st, 2020, the Court has initiated a number of measures relating to the taking into account of international good practices, capacity building and the distribution of missions within its structures, with a view to launching this important reform. It is our hope that efforts will be combined at the level of all the administrations concerned, in particular, the Ministry of Economy and Finance, so that we can meet the deadlines set out in the provisions of the organic budget law.

On another level, and in accordance with the missions entrusted by the Constitution of the Kingdom to the Court of Auditors in the exercise of the supreme audit of the execution of the Finance Act, the Court has undertaken to carry out this mission regularly, every year, on the basis of the preliminary information communicated by the Ministry in charge of Finance. Within this framework, the Court carried out an **audit mission on the overall results of the implementation of the budget for the year 2018.**

The Court noted in this regard the increase in **ordinary expenses** which reached MAD 213 billion recording a rise of nearly MAD 6.9 billion in comparison with the year 2017, resulting from the increase in expenditure on goods and services of MAD 3.2 billion and compensation expenses of nearly MAD 2.8 billion.

Staff costs, for their part, reached MAD 106 billion, up by 1 billion MAD. On the other hand, if one takes into account the expenses of salaries, allowances, subsidies and contributions charged on other headings outside the personnel chapters, the total actual expenses of the personnel, including those of the contract teachers with the Regional Academies of Education and Training, the total expenses reach nearly MAD 140 Billion, thus representing nearly 12.6% of the GDP<sup>3</sup>.

We also note that the **investment expenditures** carried out by the State reached MAD 65.5 billion, while the volume of public investment amounted to MAD 195 billion, compared to MAD 190 billion in 2017, which represents 17.5% of GDP.

The Court notes that, despite the efforts made in the field of public infrastructure, which has provided our country with basic infrastructure and equipment of the required level, these efforts have not led to a reduction in social inequalities and territorial disparities or to a real improvement in human development indicators.

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<sup>3</sup> Gross domestic product

Thus, the Court recommends, in correlation with the Royal High Orientations, to develop a new vision of public investment that can contribute to enhancing balanced and inclusive growth, generating employment opportunities and improved incomes, while being based on standards of performance, efficiency and good governance.

With regard to the treatment of **the problem of State arrears**, the Court noted the efforts made in favor of certain public institutions and private sector enterprises, in particular with regard to VAT refunds, bearing in mind that refunds relating to this tax, as at the end of March 2019, had reached a total amount of MAD 35.3 billion. On the other hand, some large public companies remain indebted to the State for significant amounts such as Morocco's highways, the National Office of Railways, and The National Office of Airports. It is planned to record these debts, for their settlement, within the framework of program contracts, which are currently being prepared with the public corporations concerned.

The Court considers that this major effort should be pursued in order to avoid further accumulation of these arrears.

On the basis of its assessment of public finance data, the Court has identified certain factors that can be considered **as real challenges to public finance management** in the short and medium-term. These challenges can be outlined into four risk categories:

**The first is the handling of the level of the budget deficit**; the Court noted the increase of this deficit which reached MAD 41.35 billion in 2018, or 3.7% of GDP after having been at 3.5% in 2017. Similarly, the ordinary balance of the budget as a component of this deficit contributed only to 31.5% of capital expenditure in 2018 instead of 36% in the previous year.

This decline comes after several years of gradual improvement in the budget deficit over the period from 2012 to 2017, under the impact of the drop in exceptional grant revenues from the Gulf Cooperation Council countries and despite the remarkable and continuous progress in tax revenues over the last five years.

**The second category of risks relates to the high level of public debt** and its rising pace as a result of the widening budget deficit.

The volume of the debt has more than doubled since 2009, rising from MAD 345.2 billion to MAD 750.12 billion at the end of 2019, i.e. an increase of MAD 27.4 billion compared to the year 2018. These facts show that the objective of reaching a level of debt around 60% of GDP by 2021 would be difficult to achieve.

As for the total outstanding public debt, i.e. the Treasury debt in addition to the debts of public institutions and enterprises guaranteed by the State, excluding those of local authorities and unsecured debts, it reached MAD 901.1 billion, i.e. the equivalent of 81.4% of GDP.

The Court notes that the management of the guaranteed debt, because of its increasing volume and its potential negative impact on the State's finances, requires the availability of exhaustive information as to its content and the standards laid down for its granting, in particular in the documents accompanying the budget bill.

**The third category of risks relates to external accounts.** Thus, despite the positive results recorded in recent years through the growth of exports in many sectors such as phosphates and its derivatives, products related to Morocco's global businesses and agricultural products, the trade balance deficit is increasingly worsening due to the rise in imports, particularly because of the increase in the energy bill and purchases of capital goods.

Despite the growth of foreign direct investments which reached MAD 47.4 billion, due to exceptional receipts, the quasi-stability of travel receipts and transfers of Moroccans residing abroad, while taking into account the significant drop in grants from the Gulf Cooperation Council States, the current account of the balance of payments deteriorated from 3.4% to 5.5% of GDP.

At the level of our foreign exchange reserves, they have grown slightly, due to the recent recourse to the international market, which has enabled the Treasury to mobilize 1 billion euros. As a result, the volume of these reserves reached MAD 239.6 billion at the end of November 2019, compared to MAD 230.9 billion at the end of 2018, with an almost stable import coverage ratio, i.e. a level slightly higher than five months of imports of goods and services.

In this regard, the Court considers that recourse to debt requires a trade-off between internal and external public debt, on the basis of cost and risk ratios, in order to



ensure the stability of the Treasury's financing and maintain our foreign exchange reserves at acceptable levels.

Similarly, the Court notes that preserving the balance and sustainability of our external accounts requires greater control of the rate of increase in public expenditure having a direct or indirect impact on external account deficits.

On a larger scale, the Court advocates drawing up a comprehensive program, in partnership with economic and social actors, to create the conditions for diversifying and improving the quality of exportable supply. The aim is to support the entrepreneurial fabric for greater integration in export value chains, opening up to new markets, increasing the rates of industrial integration, and increasing the local value-added of our exports. We believe that these orientations could serve as an appropriate platform for debate between the various actors in this field.

In the same vein, the current reforms relating to advanced regionalization and regional investment centers, as well as those accompanying them in the area of devolution , are promising sites that should be exploited to achieve these objectives, in line with the recommendations of the first national conference on advanced regionalization held at the end of last December.

In the same context, it is necessary to put in place the appropriate tools to support SMEs<sup>4</sup> and very small enterprises and to simplify their access to bank finance, in accordance with the appeal made by His Majesty the King, may God assist him, in his speech at the opening of the current parliamentary session.

**The fourth category of risks relates to the sustainability of pension schemes,** which remains a challenge. The technical deficit of the civil pension scheme of the Caisse Marocaine des Retraites (CMR) reached at the end of 2019 a total amount of MAD 5.24 billion after MAD 6 billion in 2018 and MAD 5.6 billion for the year 2017. Similarly, its reserves decreased to MAD 75.9 billion. The National Social Security Fund (CNSS), for its part, is experiencing a similar situation although less severe, Notwithstanding the fact that the Régime Collectif d'Allocation de Retraites (RCAR) recorded a slight improvement of revenues due to the rise in the number of

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<sup>4</sup> small and medium(-sized) enterprise

its members, its technical balance remained negative of MAD 2,2 millions . As a result, the balances of the three pension funds are facing increasing risks.

In my previous speeches to your honorable assemblies, I have had the opportunity to present, in detail, the situation of these funds and the major risks that the deficit indicators represent for the balance of public finances. However, so far, the next stages of the reform have not been launched, particularly with a view to creating a single public sector center that meets the conditions of balance, sustainability and the rules of good governance. This is why I would like to stress once again the urgency of decisive intervention to accelerate the pace of reform in order to avoid the depletion of reserves and its negative impact on the sustainability of pension schemes, savings and the financing of the national economy.

### **Ladies and Gentlemen, Honorable Representatives and Councilors.**

As I have pointed out, the annual report that has been released includes all the missions carried out during the year 2018. An executive summary of this report will be made available to you at the same time as this presentation.

Apart from the ordinary activities of a jurisdictional nature, it is **the missions relating to management audit and the evaluation of public programs** that have taken up most of the content of the annual report, given the resources mobilized for the performance of this work and the importance of the resulting recommendations, accompanied by the comments of the heads of the audited bodies.

Thus, the annual report includes a mission on Morocco's preparedness for the implementation of sustainable development goals and another on the preliminary data of the implementation of the 2017 budget in addition to 4 missions pertaining to the financial sector concerning the management audit of the Caisse de dépôt et de Gestion (CDG), two of its subsidiaries (FIPAR HOLDING and MEDZ) as well as the Maroclear company.

The health sector also appears in this report through 9 missions of which 2 concerned the evaluation of the management of the Compulsory Health Insurance, another one concerned the management audit of the National Health Insurance Agency, in addition to the audit of 6 hospital structures.

The education and training sector, for its part, witnessed the carrying out of 10 missions of which 1 concerned the Regional Academy of Education and Training of Sous Massa, while the 9 remaining missions covered higher education institutions.

In the same way, the sector of agriculture, sea fishing, water, and forests have seen the implementation of 5 missions including 4 missions devoted to the evaluation of public programs; these are the Halieutis plan, the irrigation extension program, the evaluation of the achievements of the olive tree chain, the program of regeneration of oak forests, in addition to the mission on the management audit of the Office National de Sécurité Sanitaire des produits Alimentaires (ONSSA).

For the culture and communication sector, it was covered by 4 missions, two of which concerned the Société Nationale de Radiodiffusion et de Télévision (SNRT), the third concerned the Société des réalisations audiovisuelles (SOREAD-2M), as for the fourth mission, it focused on the promotion of the film industry.

As regards the energy and mining sector, a mission was carried out on the monitoring of OCP's mining activity and another on the evaluation of energy efficiency measures. Three other missions dealt with the management of the public hydraulic domain, penitentiary establishments, and vehicle registration centers in Tetouan and Tangier.

As far as the Regional Courts of Auditors are concerned, in the framework of management audit and the use of public funds, they have carried out numerous audit missions, which are divided among 206 municipalities and groupings of municipalities, 14 missions relating to delegated management contracts for local public services, two missions at the level of two local public establishments and two other missions on the audit of the use of public funds by beneficiary associations.

As you can see, this audit gives an overview of the diversity and multiplicity of sectors, organizations, and topics covered in the annual report for 2018, which benefited from extensive media coverage, illustrating the place that the management of public funds occupies in the concerns of the media and public opinion.

**Ladies and Gentlemen, Honorable Representatives and Councilors.**

Since the time allotted for this presentation does not allow me to discuss in detail all the audit missions, I would like to focus on two important topics of a thematic nature:

**The first subject concerns the Compulsory Health Insurance (AMO) scheme,** which has been the subject of two missions at the level of the two Funds that manage it, by virtue of Law 65.00 on the Code of Basic Medical Coverage. This code had indeed entrusted the management of this scheme to:

- The Caisse Nationale de Sécurité Sociale (National Social Security Fund), for employees and retirees in the private sector;
- The Caisse Nationale des Organismes de Prévoyance Sociale for public sector employees and retirees;
- The National Health Insurance Agency, which was set up to ensure the proper functioning of this scheme.

As you know, this reform has been regarded as a social project aimed at ensuring that the right to health care and health protection is enjoyed on an equal basis, through the generalization of basic medical cover.

The fundamental indicators of the Compulsory Health Insurance for the benefit of employees have experienced a remarkable evolution, whether it is the extension of the beneficiaries whose workforce reached at the end of the year 2018 nearly 10.06 million people or the global volume of medical services and works evaluated at MAD 8.98 billion.

The Court's audit missions reports noted that the compulsory health insurance scheme has taken a very long time to implement all its components, in addition to a number of shortcomings relating to governance, the coverage of health care costs and the break-even of the scheme.

With regard to the **governance of the scheme**, the Court observes that its legal framework remains incomplete insofar as a set of regulatory texts necessary for the implementation of the provisions of Act No. 65.00 on the basic medical coverage code that have not been published after more than 14 years since the promulgation of

that Act. This has had a negative impact on the management of the scheme and has not led to the sound application of its provisions.

With regard to the generalization of compulsory health insurance, it has been noted that almost 900,000 people, up to the year 2017, continue to be covered by specific schemes and have not yet joined the AMO system. Among these 640,000 people are in the private sector and the rest work in 32 public-owned corporations. This is due to certain transitional legal provisions which are maintained in force, in the absence of deadlines for their repeal.

As regards the regulation of the scheme, the legislator aimed, through the creation of the National Health Insurance Agency and its placement under the supervision of the State, to improve its prerogatives and preserve its independence. However, its institutional positioning, under the supervision of the Ministry of Health, does not allow it to fully assume its role in terms of arbitration, regulation, and sanctions, if necessary, with regard to all the actors of the basic health coverage system.

Furthermore, the Agency does not have at its disposal the necessary information to carry out its task of monitoring the financial balances of the two funds, in the absence of detailed, accurate and instantaneous statistical data, in particular, those relating to the consumption of medicines and their cross-checking with the specific data of the beneficiaries.

In the same context, the national reference pricing, although considered as one of the main instruments that determine the relationship between the institutions in charge of coverage and the practitioners, it has not been subject to any revision since the launch of the AMO scheme in 2006. As a result, this pricing system is outdated and does not bind the producers of medical services, who charge much higher rates. Over the past few weeks, the National Health Insurance Agency has taken the initiative to revise these tariffs. We hope that this problem will be tackled through perfect coordination between all the stakeholders, so as to take into account both the interests of the beneficiaries and the financial balances of the scheme, at the level of both funds.

**The second category of malfunctions concerns the coverage of medical expenses.** The Court notes in this connection that the AMO, in its current situation, does not allow reimbursement of the costs of recent services and devices resulting from

medical innovations because of the fact that they are out of phase with the continuous development of medical sciences and the lack of regular updating of the classification of medical acts.

The **third category of malfunctions concerns the financial equilibrium of the scheme**. The Court noted in this respect that the insurance scheme benefiting private sector employees maintained its equilibrium over the period 2006 to 2018; however, this situation may change in the coming years as a result of the increase in the consumption of medical care as well as the foreseeable increase in the levels of the national reference tariffs.

Conversely, the scheme of civil servants in public sector records continuous degradation during the period 2006-2018. The year 2016 saw the appearance of the first technical deficit which reached nearly MAD 273 million in 2018. This situation is mainly due to low revenues as well as other factors including:

- The absence of revision of contribution rates for more than 14 years; these rates have remained at the level of 5% of the monthly salary of active employees, divided equally between the employee and the employer ;
- The ceiling of the amount of the contribution, up to MAD 400 per month whatever the level of the salary is;
- The suppression of the employer's contribution to the admission of the employee to retirement with the reduction of the contribution rate to 2.5%;
- The deterioration of the demographic coverage ratio of active members compared to retirees, which decreased from 3.8 active members for a retiree in 2006 to 1.7 in 2018;
- The increase in the Plan's expenses, especially those related to care benefits and to long-term and costly medical conditions, which account for 50% of the Plan's overall expenses.

In view of all these data, the AMO scheme for public sector employees will not be able to return to equilibrium without a gradual increase in contribution rates, taking into consideration the current and foreseeable financial impacts of the various cost elements borne by the scheme, in the short and medium terms.

As regards the beneficiaries of the funding generated by the AMO scheme, the Court notes the small proportion of funding received by public hospital units, which, by way of indication, does not exceed 6 % of the total expenditure on health care by the CNOPS. This share is even lower for the scheme managed by the CNSS, i.e. 2%.

The Court considers that the equilibrium and sustainability of the scheme presuppose that its reserves are safeguarded and improved, which can only be achieved by putting in place the necessary regulatory instruments, including controlling expenditure on medical care, increasing the level of resources and diversifying them, bearing in mind that these actions fall within the remit of the National Health Insurance Agency.

In relation to the public health system, the Court recommends that the preventive health system be developed with a view to reducing the incidence of long-term illnesses, long and costly diseases, developing the public health service and making it more appealing by improving the quality of services.

### **Ladies and Gentlemen, Honorable Representatives and Councilors.**

The **second theme** that I would like to address concerns **the public audiovisual** sector and for which three missions have been carried out, focusing on the evaluation of the management of the Société Nationale de Radio diffusion et de Télévision (SNRT), and the Société des réalisations audiovisuelles (SOREAD-2M).

As you may know, the audio-visual landscape is receiving great interest from the various quarters of public opinion, and it is also facing highly significant challenges, due to the expectations of the citizen for a public service of quality and continuous improvement at the highest level required. These challenges also concern the context of intense competition between the two societies as a result of the increased expansion of the activities of the major foreign satellite channels and the multiplicity of modern communication media.

Thus, the financial situation of the two public companies is very delicate. The net income of the SNRT deteriorated considerably in 2012, the year in which the recorded deficit had reached MAD 146.35 million. Although it improved slightly in the following years, the SNRT faces many constraints to stabilize its financial situation.

As for SOREAD-2M, it knows an even more serious deterioration because it records negative results since 2008, the company has suffered an annual loss on average of about MAD 100 million during the period 2008 - 2018, which prevents it from making the investments necessary to modernize its various structures.

Regarding financial resources, the SNRT relies mainly on state subsidies which reached an amount of MAD 931 million in 2018, while the company's own resources from the sale of advertising space remain modest, they have hardly exceeded 13% of its funding since 2013.

On the other hand, the SOREAD-2M relies substantially for its financing on advertising revenues, with State subsidies not exceeding on average of MAD 50 million per year since 2013, i.e. 7% of the company's resources.

The Court considers that the economic model adopted by SOREAD-2M makes it difficult to reach a compromise between financial profitability and public service commitments, given that the specifications require specific obligations relating to the dissemination of advertising.

On the basis of its assessment of the management of the two companies, the Court notes that the program contracts between the State and these two public bodies have not been renewed since 2012, which runs counter to the strategic role expected of the public audiovisual sector and puts it in a situation of contradiction with the provisions of Law 77.03 on audiovisual communication, which provides that the State budget allocations to the two companies are granted on the basis of program contracts.

Furthermore, the Court observes that these two public companies, despite their difficult financial situation and the fact that they have the same Chief Executive Officer, do not form a single-pole enabling them to work in a better environment as regards the coordination and complementarity of activities and economy in the management of resources. It should be pointed out that the High Council for Audiovisual Communication issued a notice in 2006 supporting the need to unite and bring together the components of the public audiovisual sector in a unified, diversified and complementary public pole while benefiting from the achievements of the two current companies.



On the basis of this assessment, the Court confirms the urgency of restructuring the audiovisual sector in our country in order to bring its components together within a unified public sector. The Court considers that such an initiative is too long overdue and that, 13 years after the launch of the first stages of the reform, this "public audiovisual pole" has not yet been established. However, this future body could induce a new dynamic in the sector by modernizing and equipping its structures and generate complementarity and synergy in their activities, especially in the climate of strong competition from foreign satellite channels.

**Ladies and Gentlemen, Honorable Representatives and Councilors.**

In connection with the work of the Regional Courts of Auditors, I would like to point out that all the regions of the Kingdom have been covered by **Regional Courts of Auditors** in order to follow up on the implementation of advanced regionalization.

With the aim of contributing effectively to the moral improvement of public life and establishing the instruments of good governance at the local level, these Courses have intensified their monitoring efforts in their fields of intervention, while focusing on subjects and areas that affect citizens and are closely related to their daily lives.

**The finances of local and regional authorities** have become a real challenge for public finances. In 2018, the revenues of the territorial authorities reached nearly MAD 42 billion, including more than MAD 27 billion from resources transferred by the State. Thus, their own resources did not exceed MAD 15 billion and cover only 58% of their ordinary expenses, which amounted to MAD 24 billion.

This situation is due to a series of shortcomings identified in the Court's thematic report on local taxation, which concluded that the tax resources collected is limited which makes it impossible for these authorities to contribute to local development, which is lagging far behind the levels required. The main shortcomings recorded are the multiplication of local taxes and charges, with a low output in some cases due to the absence of a tax base, the failure to make the most of the significant tax potential available to local authorities, the limited nature of the issues and the weakness of recovery operations.

As regards the investment expenditure of local authorities, it amounted to MAD 16.4 billion for the year 2018, but the rate of implementation remains modest as it did not

exceed 44%. This situation is due to the weakness of the organizational structures and management capacities of the local authorities as well as the insufficiency of human resources dedicated to the missions of planning, financial management and monitoring of investment projects.

On another level, due to the importance of the management of local public services and its impact on the quality of service to users, the Court published a **thematic report on the delegated management** of local public services relating to water and electricity distribution, liquid sanitation, urban transport, waste collection and cleaning services. This management method has had positive effects, in particular in terms of catching up on the backlog of investments and the relative improvement of cleaning services. However, despite the efforts made in this respect, the report identified a series of malfunctions largely attributed to the vague nature of the articles in the specifications, the imbalance in the contractual provisions concerning the distribution of obligations between the delegator and the delegatee and the non-performance of public service provision in accordance with the purpose of the contract.

Moreover, with regard to the delegated management of water and electricity distribution utilities and liquid sanitation, the management of the works fund is experiencing many malfunctions. Thus, the contributions that are collected by the delegated companies are not always deposited fully in the fund's account. Similarly, the deposit of the amounts recovered often occurs late in relation to the contractual deadlines and in some cases, the contracting parties agree to use these funds outside the standards provided for this purpose.

Furthermore, in view of the strategic position of **the transportation sector in general and urban transport** in particular at the economic and social levels, as well as the vital role it plays in facilitating the mobility of citizens, especially in the situation of rapidly expanding urbanization and the increasing density of most urban areas, the Regional Courts of Auditors have devoted a significant part of their work to this sector. They have thus noted the weakness of the services offered to citizens, particularly in certain large municipalities that, on their own, are not in a position to bear the financial burdens arising from investment in this sensitive sector. This

situation makes it necessary for the State to support these municipalities, following the example of the tramway networks built in the cities of Rabat and Casablanca.

On another level, because of the vital importance of supplying markets with food products, particularly red meat, vegetables, and fruit, on a regular basis and in accordance with the required quality standards, **a thematic mission was carried out on the management of slaughterhouses.** Following this mission, the Court issued an interim report which identified the main structural shortcomings in the slaughterhouse sector concerning the legal framework, the lack of cleanliness and hygiene conditions and a series of malfunctions in the management of these entities. On the same subject, **an inspection mission to the wholesale** fruit and vegetable markets is currently being carried out, in view of the setbacks and difficulties that need to be overcome in order to upgrade and restructure this vital sector.

### **Ladies and Gentlemen, Honorable Representatives and Councilors.**

The achievements that our country has made over the last two decades and the potentialities it has at the institutional and human levels are likely to ensure favorable conditions for launching deep reforms covering **the system of governance of the public sector.** On the basis of the constitutional referential that has made it possible to inject a new dynamic within public management by establishing the principles of good governance, public bodies are called upon, more than in the past, to mobilize widely for the implementation of these principles, so as to strengthen confidence in institutions and put the service of the general interest above all other considerations.

The Court, for its part, will seek to extend and diversify its interventions to cover all sectors and public bodies and to carry out its choices of audit missions in complete independence, on the basis of objective standards as determined by the **International Organization of Supreme Audit Institutions (INTOSAI)**, in particular through the Mexico Declaration in 2007. These standards relate to the scope of financial and operational challenges and risks, the nature of sectorial activities, the legal schemes of the bodies concerned while ensuring effective territorial coverage of audit operations throughout the national territory.

Likewise, at all stages of the audit missions, the Court will ensure strict compliance with the procedures laid down by law, which are distinguished by two fundamental

characteristics: the collegial nature of the decisions and the respect for the adversarial procedure that allows the bodies subject to audit to report their replies, opinions, and comments throughout the control process and in three stages:

- ❖ In the preparation of comments in the preliminary report,
- ❖ After preparation of the final mission report,
- ❖ And at the time of the insertion of the conclusions in the annual report, half of which is devoted to the comments of the bodies concerned.

In relation to the follow-up of the Court's recommendations, we note that the majority of the audited organizations and their managers interact positively with the recommendations. Better than that, a number of agencies have adopted them in their action plans. This is an approach which you can witness in your honorable institution and its specialized committees, through the extensive and fruitful debate, on the occasion of the examination of the reports of the Court of Auditors on the management audit of certain public bodies and state-owned corporations as well as the evaluation of public programs and policies.

Within the framework of the follow-up of our audit missions, we ensure a strict compliance with the law and we are determined to act with the necessary determination and rigor whenever we observe abuses relating to the non-compliance of the provisions in force resulting in the waste or squandering of public funds, by taking legal action at two levels:

- ❖ The level of budgetary and financial discipline vested in the financial courts, aimed at punishing all officials who have committed the financial and management offenses provided for in the legislation ;
- ❖ The second level is the referral to the Presidency of the Public Prosecutor's Office facts liable to justify criminal sanctions.

The judgments, reports, and recommendations handed down by the financial courts are not as such an end in themselves, but rather reflect the constant concern to spread and make concrete the values and rules of good governance which are considered, in today's world, to be among the determining factors of economic and social development.

Undoubtedly, each and every one of us - Parliament, Government, and constitutional institutions - share these values, which we are striving to translate into reality in order to serve our supreme objectives for a cohesive and harmonious society built on equal opportunities, social justice and the foundations of a decent life.

I would like to take this opportunity to welcome the constructive existing relationships of cooperation between the Court of Auditors and the institution of Parliament, as well as with its various bodies and committees. These relationships, which are constantly being strengthened, are essentially aimed at promoting the auditing missions devolved to our two institutions as well as establishing their constitutional roles.

I would also like to re-state my thanks to the Government for its constant support to the Court of auditors so that it can best accomplish its missions, not only by providing it with material and human resources but also by facilitating the follow-up of the implementation of recommendations and encouraging public bodies to interact extensively with the recommendations.

Our common goal is to serve the higher interests of our nation and consolidate the institutional edifice of our country under the enlightened leadership of His Majesty the King Mohammed VI, may God glorify him.

May God help us to serve our nation., and thank you.