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– A Comparative Study of the North African context: Algeria, Tunisia, and Morocco

تنظيم لجان التدقيق في القطاع البنكي – دراسة مقارنة لسياق شمال إفريقيا: الجزائر وتونس والمغرب

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Abstract

This study explores the similarities and differences in current laws, regulations and provisions governing the establishment, composition, tasks, duties, and powers of audit committees in the banking sector of three North African countries: Algeria, Tunisia, and Morocco. For this purpose, we used a comparative analysis method to analyze and elicited the resemblance and divergence between the regulatory frameworks of audit committees in each country. The study finds that audit committees in North African countries under study are still in the early stages of establishment and implementation, particularly in Algeria where audit committees play an awfully limited role. To a lesser extent, Tunisia where audit committees have more powers and tasks to perform. Thus, audit committees can work effectively in the Tunisian banking sector. For Morocco's banking sector, audit committees have all the necessary powers and authorities. In addition, the Moroccan regulator has given the audit committee numerous tasks, duties, and oversight functions to allow it to carry out its duties fully, in an effective and efficient manner, which will reflect on better corporate governance of the Moroccan banking sector.

Keywords: Audit Committees, Corporate governance, Banking Sector, North African Countries.

ملخص

تستكشف هذه الدراسة أوجه التشابه والاختلاف في القوانين والأنظمة والأحكام الحالية التي تنظم إنشاء وتكوين ومهام وواجبات وصلاحيات لجان التدقيق في القطاع البنكي في ثلاث دول من شمال إفريقيا: الجزائر، تونس والمغرب. لهذا الغرض، استخدمنا طريقة التحليل المقارن لتحليل واستنباط نقاط التشابه والاختلاف بين الأطر التنظيمية للجان التدقيق في كل دولة. توصلت الدراسة إلى أن لجان التدقيق في دول شمال إفريقيا محل الدراسة لا تزال في المراحل الأولى من التأسيس والتنفيذ، لا سيما في الجزائر حيث تلعب لجان التدقيق دورًا محدودًا للغاية. إلى حد أقل، تونس حيث تتمتع لجان التدقيق بسلطات ومهام أكثر لأدائها. وبالتالي، يمكن للجان التدقيق العمل بفعالية في القطاع البنكي التونسي. بالنسبة للقطاع البنكي المغربي، تتمتع لجان التدقيق بجميع الصلاحيات والمهام اللازمة. بالإضافة إلى ذلك، كلف المشرع المغربي لجنة التدقيق بالعديد من المهام والواجبات والوظائف الرقابية لتمكينها من تنفيذ واجباتها بشكل كامل وبكفاءة وفعالية، الأمر الذي سينعكس على حوكمة أفضل للقطاع البنكي المغربي.

الكلمات المفتاحية: لجان التدقيق، حوكمة الشركات، القطاع البنكي، دول شمال افريقيا.

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1. Introduction

After the recent spectacular episodes of scandals, collapses, failures, and corruptions involving major international institutions. Notably Enron the biggest American energy corporation in 2002, followed after 07 months by WorldCom the second biggest telecommunication corporation in the USA, besides the collapse of Arthur Andersen one of the most important auditing firms in the world, and more recently the collapses of Toshiba company in 2015. As regards the banking sector, this one has also known numerous cases of collapses, failures, and bankruptcies such as the Bank of Credit and Commerce International (BCCI), Lehman Brothers bank, and Baring Bank.

Worth mentioning, that the numerous corporate collapses and scandals happened in the late 20th and early 21st centuries such as those of Enron, WorldCom, etc. were due to the asymmetry of information as well as the principle agent problem resulted from the separation of corporate ownership from management (agency theory). Several countries, regulators, researchers and organizations focused their attention on the lack of control systems that may have made easier these corporate misbehaviors especially in the USA, Russia, Japan, the UK and some East Asian countries, due to the spread of financial corruption particularly in the financial statements and the absence of transparency in reporting and deficiency in disclosed information.

Consequently, endeavors began to multiply to provide the appropriate mechanisms to confront these financial corruptions, as many international institutions and professional organizations in many countries sought to develop a set of laws, guidelines and ethical principles for financial control over the management of firms. Moreover, with the aim of enhancing the transparency of financial disclosed information and preparing it in accordance with accounting standards targeting to protect shareholders and stakeholders alike. Therefore, the term corporate governance emerged as the culmination of these endeavors and efforts.

In this regard, Regulators all over the globe have adopted corporate governance reforms into laws/regulations in many countries enabling corporate governance to obtain extraordinary importance throughout the world, as it has affected management, accounting and control practices through its oversight mechanisms internally and externally. In addition, it plays a key role in improving financial reports' quality, adequacy of disclosure, transparency and accuracy of financial information, strengthening risk control, ensuring internal control's effectiveness, activating the role of auditing, and protecting the rights of stakeholders in general and shareholders and owners in particular.

Moreover, emphasizing corporate governance's significance and the need to activate it, audit committees arose as an essential mechanism of corporate governance and one of the pillars of its implementation. According to Cadbury (1992), audit committee is a necessary corporate governance mechanism that protects shareholder interests, ensures transparent reporting, and improves the quality of the audit process. In addition, audit committees are in charge of supervision, oversight and control of accounting, internal control and auditing. Besides their important role in increasing the accountability of the Board of Directors (BOD) and assisting it in performing its duties, audit committees play an important role in increasing the effectiveness and independence of audit functions and overseeing the financial reporting process. However, audit committee' effectiveness in performing these different roles is related to the availability of several qualitative requirements regarding its composition, size and characteristics such as its independence, financial and accounting experience of its members, and the duties, tasks and powers entrusted to it.

Nevertheless, whereas these are the anticipations that surround the audit committee in the developed countries, the weak framework of governance in developing countries namely North African developing countries signifies that audit committee in these countries operates in an entirely different environment.

In the last two decades, audit committees have been one of the major interesting research subjects due to recent episodes of corporate collapse. Which stressed the dangers of weak control mechanisms, urging academic researchers, professional organizations, regulators, and governments across the globe to pay attention to audit committees. The overwhelming majority of studies focused on the audit committee's effectiveness in developed countries but so far, little is known about how audit committees perform in developing countries such as those of North Africa.

In the described context, this study is among the first studies to explore the role of audit committees in North Africa's banking sector countries namely: Algeria, Tunisia and Morocco. This study investigates and analyzes current laws, guidelines and provisions governing audit committees' responsibilities, powers, tasks, compositions and establishment in the banking sector as determined by each country's official authorities (governments and central banks). Through a comparative analysis method, the study elicits the resemblance and divergence between the regulatory frameworks of audit committees in each country and sheds light on the lawful factors that affect audit committees' performance by determining the benefits and drawbacks of laws and regulations for every country. Which may assist regulators, shareholders, and board members in their endeavors to strengthen audit committees' effectiveness.

It is now time to start assessing the audit committee performance in North Africa's banking sector. Moreover, the necessary first step along this path is to know what legal/lawful factors are actually abating the audit committee's performance in the North African banking sector.

2. Literature Review

In the light of the financial failures of significantly large firms across the globe and the related questions, that have emerged regarding the role of accounting and audit under such circumstances of scandals and collapses. Besides the legal/judicial process toward one of the BIG 4 firms namely KPMG in relation to the ethical and accounting issues at Xerox Holdings Corporation. Hence, being observed increasing importance of applying corporate governance mechanisms and audit committees as they play a vital role and complement each other. Moreover, the attention of scholars and academics researchers is progressively consecrated in recent years around audit committees as they carry out a monitoring responsibility with the intention of ensuring corporate accountability and reporting quality (Omer & Aljaaidi, 2019, p. 33). For this reason, audit committees' establishment became mandatory in several countries.

Numerous studies have given definitions to audit committees. yet, it seems that there is no universally agreed definition of audit committees contrariwise different definitions were presented from scholars, theorists, professional organizations, bodies, and regulators. For instance, Al-Baidhani

(2014) defines audit committee as "*The audit committee operates as a representative of the board of directors from whom it receives its powers to perform its corporate governance responsibilities which include overseeing and monitoring the organization's financial reporting, disclosure, internal and external audit, internal control, regulatory compliance, and risk management activities. This applies to public, private, and mix sectors, as well as some non-governmental and not-forprofit organizations*" (p. 04).

Recently, within the inaugurated corporate governance codes, the committee's role covers all aspects of governance. Thus, the audit committee's role in corporate governance consists of tasks, duties and responsibilities in multiple aspects namely oversight of financial statements, disclosure and reporting, monitoring of internal audit and evaluating of internal control systems, supervising of external audit and risk management (Al-Baidhani, 2014; Bhasin, 2012; DeZoort, 1997; Porter, 1993).

Nevertheless, to warrant the committee's effectiveness and efficiency close attention should be paid to its establishment and composition. Therefore, audit committees may fulfill their duties perfectly. It has been highlighted in the foremost definitions given to audit committees that independence is one of the audit committee's fundamental composition criteria (Mbobo & Nweze, 2016). In this regard, audit committees should be composed at least of three non-executive of the BOD, or the supervisory board; it is also recommended that each member must have independence and financial expertise criteria (Salvioni et al., 2014).

Furthermore, the audit committee's members are considered independent when they have no financial, management and personal relationships with the firm or its executive directors (Persons, 2009). In this respect, Lee (2011) acknowledged that the independence of the audit committee's members from the executive management has been widely known as an indispensable prerequisite for the committee's effectiveness and oversight quality.

Depending on Hasan and Xie (2013) standpoint, independence permits the audit committee members to cope with issues and tackle them in a neutral and objective manner, in consideration of the interests of managers and relevant stakeholders alike. Abbott et al. (2000) revealed in their study that firms with independent audit committees are most likely to assign statutory auditors who are experts in the firm’s field of activity. Consequently, independent audit committees contribute in a positive manner to the financial reporting and ethical oversight functions (Persons, 2009).

As regards the audit committee members’ expertise, Velte (2017) points out that this expertise encompasses knowledge and professional experience in the aspects of accounting, auditing, financial disclosure, reporting, risks and internal control. In addition, members with significant expertise are strongly equipped than their non-expert associates to supervise the quality of financial reports and disclosure (Zhang et al., 2007). Similarly, Abdulsaleh (2014) has found a favorable relationship between financial expertise and financial disclosure and report quality. Moreover, Salleh and Stewart (2012) pinpoint that audit committee members’ accounting and finance expertise is among the key elements that contribute toward reinforcing audit committees’ effectiveness.

Audit committee’s members may have a range of backgrounds, but to perform their monitoring, surveillance and oversight tasks fully and effectively, they must have the necessary financial and accounting expertise (Ghafran & O'Sullivan, 2017). In this regard, Lisic et al. (2019) study have examined how the audit committee's accounting expertise aid to boost audit quality, their study has found that there is a higher probability of expressing an adverse opinion on internal control when audit committees have stronger professional accounting expertise. Thus, this emphasizes that audit committees can operate fully, effectively and appropriately when evaluating and monitoring internal control systems. Another study from Oussii and Boulila (2020) where they examine whether the members of the committee’s accounting expertise have an impact on the effectiveness of the internal audit function in Tunisia. Their study finds that the financial and accounting expertise of audit committees is very likely linked positively with the fulfillment of recommendations of the internal audit reports.

With regard to the committee’s size, all literature focused on the topic of audit committees’ size where the number of the committee’s members reflect its size responsible for carrying out tasks and duties of the committees (Pucheta-Martínez & García-Meca, 2014). Additionally, Albring et al. (2014) indicate that the audit committee’s size is likely an important indicator to assess the committee’s effectiveness. Thus, Lemonakis et al.

(2018) state that a larger committee is superiorly fitted to supervise and carry out internal audit tasks. Utama and Leonardo Z (2014) propose that audit committees ought to comprise three independent members leastways, where the committee is chaired by one of whom.

As for audit committees meeting, Yang and Krishnan (2005) mentioned that the majority of governance guidelines recommended that the committee to be effective in its surveillance and supervision functions it needs at least three to four meetings yearly, additional extraordinary meetings can be scheduled if necessary. In this respect, Ali (2014) found that regular frequent meetings enable audit committees to perform their tasks and duties actively and effectively, Sharma et al. (2009) endorsed this view where they affirm that regular frequent meetings are an important indicator for the committee's activity and efficiency.

The audit committee's level of activity is measured through the meetings' average number (Menon & Deahl Williams, 1994). Thus, meeting frequency is among the most extensively investigated factors, where the previous researchers namely Hsu and Petchsakulwong (2010) and Khanchel (2007) used it as a substitute to measure the activity volume of audit committees.

Besides, Davidson et al. (2004) investigated the reaction of the stock market to the declaration of the appointment of a director member in the committee with accounting and financial expertise. The study had analyzed 136 appointment voluntary declarations from 1990 to 2001. The research found a considerable positive liaison between the designation of a member finance expert and the stock price movements.

Davidson et al. (2004) by their study concluded that the stock market recompenses firms that assign experts onto their audit committees. Likewise, DeFond et al. (2005) through their study have found a positive market reaction to the appointment of accounting financial independent experts on audit committees, and this positive reaction is concentrated among firms with relatively strong governance practices. In the same way, Chan and Li (2008) have found that a firm's value is boosted and increased when there are audit committees established of expert-independent directors members.

A considerable amount of literature has been published on audit committees' performance and effectiveness in developed countries. However, there has been relatively little literature published on audit committees' performance and effectiveness in developing countries especially those of North Africa.

3. Methods

In this research, we investigate the differences in laws and regulations regarding the establishment and composition besides tasks, duties, and powers of the audit committee in the banking sector of North African developing countries: Algeria, Tunisia, and Morocco. For this purpose, a comparative analysis method is used to analyze and elicited the resemblance and divergence between the regulatory frameworks of audit committees in each country. The comparative study will be based on the regulations, laws, provisions, and codes of audit committees established by each country's official authorities (governments and central banks).

4. Comparative Analysis and Discussion

Over the past few years, the audit committee's importance has significantly increased in developing countries such as those of North Africa: Algeria, Tunisia and Morocco, these countries have instituted several regulations regarding the composition and functioning of audit committees. Moreover, these regulations were supplemented and amended several times in order to assure that the audit committee works effectively, it is now time to compare these regulations and analyze them in order to know the similarities and differences in each country.

For Algeria's banking sector audit committees were introduced through the Regulation No. 03-02 (2002), which was supplement and amended through the Regulation No. 11-08 (2012). This regulation came in accordance with the Basel II recommendations, which has developed several principles to stimulate the system of internal control in banks.

As regard, Tunisia's banking sector the first legal text that introduced audit committees was the Loi N° 2001-65 (2001) however, to improve the audit committee's efficiency, the Tunisian authorities promulgated the Loi N° 2005-96 (2005) and the Circulaire N° 2011-06 (2011). Moreover, the Tunisian regulator went further in his efforts to enhance corporate governance, besides improving tasks and powers of audit committees the Loi N° 2016-48 (2016) inaugurated in 2016.

Regarding Morocco's banking sector Bank AI-Maghrib released two important regulations to fill the gap in the past regulations and to supplement the existent provisions. Indeed Bank AI-Maghrib issued the Circulaire N°4/W/2014 (2014), followed by the Circulaire N°4/W/2018 (2018), the most recent regulation which was specifically inaugurated to determine the role, responsibilities, composition and typical functions audit committees are expected to carry out.

Table 1. Establishment and Composition of Audit Committee

	Algeria	**Tunisia**	**Morocco**
AC's Establishment	Voluntary	Mandatory	Mandatory
AC's size	/	At least three members *	A minimum of 3 members
Members independent	Non-executive members	Non-executive members	Non-executive members
Members financial expertise	/	Members with professional experience in accounting and finance.	Members with professional experience in banking, auditing, accounting and financial reporting.
AC's Chair	/	An independent member of the BOD with financial and accounting expertise	An independent member who is not the chair of the administrative body or another committee
AC's Independence	Independent of the executive management	Independent of the executive management	Independent of the executive management
AC's Position in the organizational structure	Part of the BOD	Part of the BOD **	Part of the BOD
Number of Annual meetings	/	/	One meeting quarterly ***

Source: Authors

[*] Members of the audit committee cannot be members in the risk committee.
[**] The structure of the audit committee is provided within the internal audit structure.
[***] This periodicity can be biannual when the size of the bank justifies it.

Table N° 01 provides details on the establishment and composition of the audit committee in the banking sector of North African countries: Algeria, Tunisia and Morocco, according to the regulations and laws of each country.

Both Tunisian and Moroccan regulations stipulate that an audit committee is required to be established by and among the board of directors of the bank. Therefore, establishing an audit committee is compulsory in both Tunisia and Morocco, whereas Algeria's regulation regarding audit committee merely stipulates that the bank may establish an audit committee. That is to say, audit committee's establishment is voluntary, not mandatory in Algeria's banking sector.

Regarding the audit committee's size, simultaneously Morocco and Tunisia fixed the committee size to be a minimum of three members. On the contrary, in Algeria's banking sector, the Algerian regulator has not determined the audit committee size, leaving the BOD the authority to decide the audit committee's size. Concerning the quality of non-executive members, it is determined for all members of audit committees in all the three countries of our study. With regard to the financial expertise, both Tunisia and Morocco have made professional experience in accounting, finance, and auditing typically requested for one member of the audit committee at least to guarantee an effective achievement of audit committee's duties. However, in Algeria's banking sector, the Algerian regulator did not point out the financial expertise of the audit committee members.

It is extremely important for the audit committee to contain members with accounting and auditing backgrounds and knowledge. In this respect, the chair of the audit committee according to the Tunisian laws must be an independent member of the BOD with financial and accounting expertise requirements and qualifications. Concerning the Moroccan laws, the committee is chaired by an independent member who is not the chairperson of the administrative body or another committee, with practical and sufficient professional experience in banking, auditing, accounting, and financial reporting. However, in Algeria, the regulator did not specify any provisions regarding the chair of the audit committee.

As for audit committees' independence, this qualification is required in all the three countries under study, where the audit committee is independent of the executive management. With respect to the audit committee's position in the organizational structure of banks, the committee should be established as part of the BOD in all the three countries under study, however, the Tunisian regulator requested that the secretariat of the audit committee is provided within the internal audit structure. Which is from our point of view a bad requirement that may question the independence and integrity of the audit committee. Finally, as regards the number of annual meetings neither the Algerian regulator nor the Tunisian regulator have set up provisions in this regard. In contrast, the Moroccan regulator has determined one meeting quarterly, this periodicity can be biannual when the size of the bank justifies it.

Table 2. Tasks, Duties and Powers of the Audit Committee

	Algeria	**Tunisia**	**Morocco**
Supervising financial statements, accounting systems, reporting, and the reliability of financial disclosure.	✓	✓	✓
Supervising internal audit functions, systems, and operations.	✓	✓	✓
Checking the adequacy and effectiveness of internal controls systems.	✓	✓	✓
Supervising risk management and examining all forms of risks.	✓	✓	✓
Monitoring and examining the external audit process, ensuring the statutory auditor's independence.	□	✓	✓
To express an opinion on the appointment, promotion, removal and remuneration to the chief of internal audit.	□	✓	□

To express an opinion on the selection, appointment, removal, renewal, and remuneration of the statutory auditor, as well as approving the engagement letter, the scope and conditions of its realization.	▯	✓	✓
To assess the compliance of the bank with laws and regulations.	▯	▯	✓
To validate the annual report on internal control activities before its transmission to the central bank.	▯	▯	✓
To give advice on related party transactions.	▯	▯	▯
To carry out other oversight and surveillance functions as solicited by the BOD or the supervisory board.	✓	✓	✓
Reporting to the BOD of the bank.	✓	✓	✓

Source: Authors

The table N° 02 provides details on the tasks, duties and powers of the Audit Committee in the banking sector of North African countries: Algeria, Tunisia and Morocco, according to the regulations and laws of each country.

The audit committee supervises financial statements, reporting, and the reliability of financial disclosure in all three countries under this study, Moreover, it is responsible for supervising the internal audit functions, checking internal control's adequacy and effectiveness and supervising risk management in North African developing countries: Algeria, Tunisia and Morocco. However, audit committees' role in Algeria is very limited in contrast with the other countries under this study; this shortcoming is due to neglecting some important tasks and duties. In this respect, the committee in Algeria's banking sector has no role regarding the oversight of external audit process and ensuring the independence of the statutory auditor, which is the contrary in both Tunisia and morocco.

Furthermore, the Algerian regulator, as well as the Moroccan regulator, did not determine the audit committee's tasks as regards expressing an opinion on the appointment, promotion, removal, and remuneration to the chief of internal audit, where only the Tunisian regulator gave the committee such a task to carry out. However, only the

Algerian regulator did not mention the audit committee's task regarding the expression of an opinion on the selection, appointment, removal, renewal, and remuneration of the statutory auditor, while audit committees in the Tunisian and Moroccan banking sector are made responsible for expressing such an opinion. In this respect, the Moroccan regulator went further by allowing the committee to approve the engagement letter, the scope, and the conditions of the mission of the statutory auditor.

Neither the Algerian nor the Tunisian regulators have stated that audit committees are responsible for reviewing the bank's compliance with laws and regulations. However, it is the opposite when it comes to the Moroccan regulator where the authorities stated that the audit committee ought to review the bank's compliance with laws and regulations. Moreover, the Moroccan authorities have ordered audit committees to validate the annual report on internal control activities of the bank before its transmission to the national bank, which have not been mentioned in the Algerian and Tunisian provisions.

As concerns the related party transactions, it is very common that the audit committee should express an opinion or give advice regarding related party transactions. However, it is not the case in North African countries' banking sector, where we found that the audit committee does not express such an opinion in all the countries under this study. Regarding other oversight functions that could be performed by the committee as requested by the BOD. All the regulations/laws of the countries under the study gave the BOD the authority to ask for more oversight and surveillance functions.

Finally, audit committees must report their work to the BOD in all the countries under this study. The committee should inform the BOD about pertinent issues stemming from the oversight and surveillance functions carried out.

We can summarize the overall findings regarding audit committees in Algeria's banking sector attained via the comparative analysis study in North Africa developing countries as follows:

- The results of the comparative study highlight that the present role of audit committees in the Algerian banking sector encompasses supervising the bank's financial reporting, internal control, internal audit and risk management;

- The Algerian authorities did not pay attention to the necessary role of audit committees regarding monitoring external audit process as well as ensuring the statutory auditor's independence;
- The current regulation governing the audit committee did not specify audit committees' tasks regarding the appointment, selection, removal and compensation of the statutory auditor;
- The audit committee's effectiveness is undoubtedly limited due to the lack of rigorous legal requirements regulating its tasks, duties, and powers in Algeria's banking sector;
- The establishment of the audit committee in the Algerian banks is not mandatory its establishment has a voluntary nature leaving the final decision in this regard to the BOD;
- The Algerian regulator has not specified provisions regarding the audit committee's establishment and composition, its characteristics, the duration of its mandate, and its operating rules;
- The current regulation has not specified the audit committee's size and the financial, accounting, auditing knowledge, and professional expertise of its members, as the absence of appropriate experience is undeniably a potential impediment affecting the audit committee's effectiveness;
- The regulation was clear regarding the independence of the committee's members where executive directors cannot be part of the committee;
- The Algerian regulator did not mention the number of meetings that should be held by the committee;
- The regulator points out that audit committees can access information at all levels of the bank's management.

5. Conclusion

Audit committees were largely discussed as a critical mechanism to guarantee transparency, improve governance practices, and protect shareholders and stakeholders interests alike, especially after the episodes of corporate financial scandals, which have taken place in developed countries.

In this respect, audit committees in North African countries are still in the early stages of establishment and implementation, particularly in Algeria where audit committees play an awfully limited role. To a lesser extent, Tunisia where audit committees have more powers and tasks to perform. Thus, audit committees can work effectively in the Tunisian banking sector in contrast with the Algerian banking sector. When it comes to Morocco's banking sector, audit committees have all the necessary powers and authorities. In addition, the Moroccan regulator has given the audit committee numerous tasks, duties, and oversight functions to allow audit committees to carry out their duties fully, in an effective and efficient manner, which will reflect on better corporate governance of the Moroccan banking sector.

Based on our comparative analysis study of laws, regulations and provisions governing audit committees in the banking sector of the three North African developing countries studied: Algeria, Tunisia, and Morocco, we can formulate some significant concluding findings.

The usage and application of adaptable, responsive, and flexible laws and provisions to regulate audit committees in the Moroccan banking sector have allowed it to close the gap with developed countries and to converge upon the typically best practice of corporate governance. Certainly, this contributes toward empowering Morocco's banking sector to be the most attractive in North Africa.

The Tunisian regulator has amended and supplemented its laws and codes related to audit committees aiming to make these laws and codes more adaptable and responsive, in addition, to strengthen corporate governance through the improvement of the audit committee's composition, powers, tasks, and duties. Targeting to fill the gap with developed countries to attract more investments in Tunisia's banking sector.

As concerns Algeria's banking sector, the Algerian regulator did not pay attention to the critical importance of audit committees as a key mechanism of corporate governance. In 2002, the Algerian regulator enacted the first law regulating audit committees, which was only amended once later in 2011. Thus, Algerian regulator have caused a great gap with its neighbors: Tunisia and Morocco, as well as developed countries.

From our point of view, the current regulation No. 11-08 (2012) does not give audit committees the chance to perform their role fully, properly, and effectively in the Algerian banking sector. Therefore, we can formulate the following recommendations to enhance audit committees effectiveness.

- The Algerian authorities should take into consideration the refinement and enhancement of laws and provisions regulating audit committees to fill the gap with developed countries;
- audit committees establishment must be mandatory in the Algerian banking sector;
- the selection of audit committees' members should be based on their accounting and auditing knowledge and professional qualifications;
- The Algerian legal and regulatory environment should pay special attention to audit committees as a mechanism of corporate governance and particularly the central bank, which is responsible for regulating and supervising the banking sector;
- Improving the audit committee's effectiveness by giving it more powers, tasks and allowing it to monitor the external audit process, and independence of the bank's statutory auditors;
- rigid legal guidelines should be put in place to enable and empower audit committees to operate their responsibilities, tasks and duties effectively;
- The BOD should support the audit committee's tasks and duties to carry out its role effectively.

Finally, we recognize that our study suffers from some limitations related to the comparative analysis method. In fact, the comparison of audit committees laws, provisions and regulations in North African developing countries: Algeria, Tunisia and Morocco, does not enable us to verify the formulation of audit committees in the countries under this study besides their real tasks, duties, and powers they are supposed to carry out.

Therefore, future researchers could continue this research by carrying out deeper investigations on a considerable sample of banks from all North African developing countries. In so doing, we could truly verify the composition, tasks, and duties of audit committees in the North African banking sector area. For every country, we also could verify the compliance of banks to laws, provisions and regulations in its national banking sector. Furthermore, we could also get a specific opinion of each country's convergence upon the typically best practice of corporate governance adopted on a global scale.

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