

The role of the external auditor in the detection of fraud and errors in the financial statements (Studying a sample of auditors)

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دور المدقق الخارجي في كشف احتيال وأخطاء القوائم المالية (دراسة عينة من المدققين الخارجيين)

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Abstract:

By studying a sample of active auditors in the Setif, M'sila, and Bordj Bou Arreridj districts, this study aims to analyse and clarify the external auditor's role in detecting fraud and errors. The study shows that the external auditor does not correct the discovered errors and does not advise management or owners. Instead, the auditor prepares reports expressing his opinion to all relevant parties. The auditor must maintain confidentiality without providing any information to competitors.

Keywords: External auditor, fraud, errors, financial statements.

Jel Classification Codes: M41

المخلص:

تهدف هذه الدراسة إلى تحليل وتبيان دور المدقق الخارجي في كشف الاحتيال والأخطاء، من خلال دراسة عينة من المدققين الناشطين في ولاية سطيف، مسيلة وبرج بوعريريج، حيث تبين أن المدقق الخارجي لا يقوم بتصحيح الأخطاء التي يتوصل لها ولا يقدم استشارات للإدارة أو الملاك، بل يقوم بإعداد تقارير يبدي فيها رأيه يقدمها لكل الأطراف ذات الصلة، كما يجب عليه احترام السرية في العمل حيث لا يمكنه إعطاء أي معلومات للمنافسين مثلا، وإذا قام بذلك سيتم محاكمته.

الكلمات المفتاحية: المدقق الخارجي، الاحتيال، الأخطاء، القوائم المالية.

I. Introduction :

Due to the increased frequency of errors and fraud in the financial statements led to financial scandals that swept many companies, whether in the United States or other countries of the world. These scandals have raised concerns about the role of the financial statements and the responsibility of the external auditor -Governor of accounts- in the monitoring and following of financial operations, especially after the impact of those events on the audit profession, which has weakened the credibility of the accountants and damaged their reputation. These events have led to increased pressure on the profession, accompanied by a question of the responsibility of the governor of accounts to detect errors and fraud, after being confirmed as the main cause of sudden collapses of many large companies.

At present, Algerian economic companies became in urgent need to the service of external auditor - Governor of accounts- and must understand that the person who performs this service must be aware of the weight of the responsibility entrusted to it in order to protect the property and ensure the authenticity of the information. Where the governor must be a recipient of a high scientific composition and is characterized by professional training appropriate to the nature of the profession and sufficient in terms of gaining the necessary expertise for practical practice and adhere to very carefully to local and international standards which manage the audit profession.

• Study Problem :

The auditor reviews the annual financial statements of an institution in order to express an opinion and to give reasonable assurance about the accuracy of the financial statements and devoid of deviations which reflected in the fraud, Errors, omissions and derelictions, while these data and accounting reports are relied upon to make many decisions within the organization, And therefore there must be procedures to verify the accuracy of those data and accounting reports. Here comes the role of the governor of accounts where he has the task of examining and reviewing the financial statements, and determine the adequacy, effectiveness, fairness and truthful expression of the reality of the institution activity.

Based on the above, the problem of study is the following:

As for the sub-questions, they were asked according to the following:

- What is the relationship between the opinion expressed by the governor and the credibility of the financial statements and having no mistakes or no fraud ?
- Is the governor of accounts responsible for the detection of errors and fraud in the financial statements or management is responsible for it?
- Does the role of the governor of accounts ends after issuing his report?

Study Hypotheses:

A basic hypothesis was presented as follows:

The existence of errors or fraud affecting the role of the governor of accounts in expressing an opinion on the financial statements;

- The main hypothesis was divided into two sub-hypotheses:

- **The first partial hypothesis: The governor of accounts is a professional person and responsible and eligible for the detection of errors and fraud in the financial statements;**

- The second partial hypothesis: The role of the governor of account does not end at the date of issuing of the report.

Importance of study:

This study is of great importance as it is exposed to one of the most important topics today in the economic arena. Especially at the present time that characterized by significant economic changes, which had a clear impact on the importance, status and role of the governor of accounts on the one hand, on the other hand, there is a growing and continuing debate about the responsibility and role of the accountants in finding fault and discovering fraud and the factors affecting that responsibility and what is expected of the profession particularly with regard to achieving society's expectations.

● **Objectives of the study:**

The main objective of the study is to answer the questions in the research problem and to test the validity of the hypotheses adopted. In addition to:

- Identification of the general background of governors of accounts;
- Analysis of the nature and types of errors and methods of fraud and how it was discovered by the governor of accounts;
- To identify aspects of professional responsibility for performing the governor of accounts;
- Evaluating the extent to which the governors of accounts understand their responsibilities and role in the detection of errors and fraud in the financial statements

● **Methodology of the study:**

The method of research requires the descriptive approach to be the user, in order to present the concepts and specific information to the field of research. We also follow the inductive method during the extrapolation and analysis of previous studies, especially those dealt with by professional publications on the role and responsibility of the auditor accounts - governor of accounts - in detecting fraud and error In financial reporting under audit standards and procedures. A questionnaire form will also be used for the sample selected from the governor of accounts offices in Setif, M'sila and Bordj Bou Arreridj.

● **Previous studies:**

There are many studies that dealt with the relationship between the work of the external auditor and the reality of errors and fraud in the institution; the most important are presented in chronological order as follows:

- **The first study:** the second study conducted by the Cohen Committee Report,(2001), in which it considers that the submission of the external audit offices - governor of accounts or accounting experts in Algeria- to serve the institutions increases the independence of the professions and helps in discovering errors and fraud. , And gives more credibility to the reports of these offices (American Institute of Certified Public Accountants, 2001).

- **The second study:** Hartley & Ross, 2002 (2) The findings of the study concluded that the group of consultants provided by the external auditor - governor of accounts or accounting experts - to manage the institution under study, limits the impartiality of the internal audit activity, Where this act is contrary to the ethics of the practice of auditing profession, because it may harm the interests of the parties involved in dealing with the institution. Therefore, the auditing profession should be

considered in the form of a written report without providing any advice or corrections to the internal control system, in order to avoid fraud or cheat by the administration on its clients (Hartley and Ross, 2002).

- **The third study:** Philmore Alleyne and Michael Howard, 2005. 3 is an exploratory study of the external auditor's responsibility for detecting fraud in Barbados. This study surveyed 43 auditors of the financial statements, the findings of this study indicate that there is a large gap in expectations. The auditor considers that the discovery of fraud is the responsibility of the internal auditor. The users of the financial statements and the management do not agree with this view. The results also indicate that the best way to avoid fraud is the effectiveness of the internal control system and creating audit committees within the institutions, whatever their activity (Philmore Alleyne and Michel Howard, 2005).

- **The fourth study :** (Viviers and Venter, 2008), which focused on accounting fraud in SMEs in South Africa, aimed at studying the perceptions and management of fraud for owners of small and medium enterprises. Respondents agreed that fraud is one of the most important problems facing This type of institution, and considered ethical policies and effective internal control of the most important actions that reduce the aggravation of the phenomenon of fraud (Suzette Viviers and Danie venter, 2008).

- **The Fifth study:** U. S. GOA, The United States General Office of Accounting, 2008. 5. This study was prepared by the Public Audit Bureau of the United States of America, which examined the quality of external audit work as governor of accounts or accounting experts in Algeria in 11 bankrupt institutions in 2008 as a result of the financial crisis, and concluded that 8 out of 11 bankrupt institutions, they did not fully review the external audit and did not disclose the core information set in the internal control system honestly and transparently, which led to the non-conformity of their final reports with auditing standards in America (U. S. GOA, The United States General office of Accounting, 2008).

- **The sixth study:** Dan Stirbu, 2009 (6) This study explored the perceptions of users of the financial statements regarding fraud in Romania, focusing on the responsibility of the external auditor in detecting fraud and errors. This study concluded that the external auditor is not clear about the relevant parties. They believe that it is his duty to prevent fraud and errors, but in fact his legal duty is to express a neutral technical opinion only (Dan Stirbu, Maria Moraru, 2009).

By presenting the previous studies it is clear that the most important characteristic of this study is the following:

- This study is concerned with both errors and fraud separately, It was deeper than which only interested in fraud;

- This study highlights the role of the external auditor in the detection of fraud and errors at the level of a sample of active auditors -governor of accounts - in Algeria;

This study also highlights the extent to which external auditors respect established standards In Algeria and internationally recognized this on the one hand, and on the other hand sheds light on the set of obstacles that hinder the activity of auditors in Algeria;

- This study came after Algeria's issuance of Algerian auditing standards, which gives it the character of modernity due to the lack of studies on the subject of external audit after the issuance of the mentioned standards.

II. The concept of external audit:

There are many definitions that we summarize as follows:

"Is a critical examination that allows to ensure that the information produced by the institution is correct and realistic. The audit includes all the checks carried out by an efficient external professional (governor of account) and independent in order to provide a neutral technical opinion on the reliability, integrity and transparency of the financial statements and the basis of the budget and the results calculations table" (Lionnel COLLINS, 2006).

We note from this definition that the review goes through three main stages:

- Inspection: means the examination of the quantitative and monetary measurement of the financial events of the activity; Investigation: the possibility of judging the validity of the accounts as a proper expression of the outcome of the project;
 - Report: is the Clarification of the results of the examination and investigation of interested parties.
- Table (1) shows that the external auditor has three basic types: legal audit, contractual audit (optional) and judicial experienc.

These types vary according to their comparative angle (orientation, purpose, duration, independence, responsibility, layoffs, fees ...). It should be noted here that the external audit profession in Algeria is given according to Law 10/01 of June 2010 or according to Algerian auditing standards, for the profession governor of accounts or accounting experts.

III. The need to detect errors and fraud in the financial statements:

IAS 240 stated that the financial statements can not be credible and of high quality if they contain material errors that means unintentional errors of financial reports or fraud –intentional distortions- Prevents the expression of the true image of the reality of its activities. Fraud is defined as an intentional act by one or more members of the administration or those in charge of governance, employees or third parties that involves resorting to deception to obtain an unfair or unlawful benefit " (International standard on auditing 240, 2016), It is possible to view and analyze the characteristics of fraud shown in Figure (1), called the triangle of fraud, represented in:

- **Motivation, or pressure to produce a fraudulent financial report:** Some people want to live at a higher level than their level, management failure to achieve the goals, especially with the presence of pressure from external parties.
- **Opportunities to commit fraud:** for example when the individual finds himself in a position of trust, or when there is a deficiency in the internal control system.
- **The ability of individuals to rationalize their fraudulent behavior:** such as honest people who commit fraud if subjected to considerable pressure from a particular environment.

IV. Role of the External Auditor in the detection of errors and fraud:

In accordance with auditing standards, the auditor is required to comply with the requirements of professional conduct and to plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The audit involves performing procedures to obtain an audit guide on the values and disclosures in the financial statements. The procedures selected depend on the personal judgment of the governor of accounts, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. The responsibility of governor of accounts also includes assessing the appropriateness of the accounting

policies used and the reasonableness of accounting estimates, as well as the completeness of the financial statements (International standard on auditing 210, 2017).

Information used by the governor of accounts to draw conclusions based on his opinion and audit evidence includes all information contained in the accounting records In the light of which the financial statements were prepared and other information, and the auditor's opinion in the collection of evidence is influenced by the relative importance of the subject examined (discovery of errors and fraud). The relative importance depends on the relevance and reliability of the evidence, as well as the cost and time, and should be available in this evidence a set of characteristics are summarized below:

- Adequacy of audit evidence: This evidence should cover all aspects to be proved;
- Appropriate audit evidence: Proof of evidence must be appropriate and objective;
- circumstantial: that the subject matter of the examination should be on time;
- Inexpensive: to be an acceptable cost compared to its utility (International standard on auditing 200, 2016); Acceptable: to comply with the formal, legal and regulatory requirements in force.

V. Method and tools used:

Society and sample of the study: The target population consists of the external auditors of the financial statements -governor of accounts- and the financial statements are of various institutions which are active in the state of Setif, the state of Msila and the state of Bordj Bou Arreridj, (50) single, then, the sample of the study was determined by the random stratified sample of the study population. The questionnaire was distributed to all sample members and 45 were retrieved. After the survey, 4 questionnaires were excluded due to non-fulfillment of the required conditions. Thus, the number of the questionnaire under study is 41. Table (2) shows the axes and the number of paragraphs of the questionnaire.

VI. Study tool:

for scientific research tools, we used the questionnaire as the most important research tool to analyze the sample opinion distributed among a group of Algerian accountants audit and governor of accounts at the level of three Algerian states (Setif, Messila and Burj Bou Arreridj). The questionnaire was designed based on the relevant literature. The five likert scale was used to show the opinions of the study sample members on the terms contained in the survey axes, as shown in Table (3). In addition to interviewing the managers of the institutions on the one hand and the governor of accounts on the other hand, and then collect the statements and observations through the meeting with them. As for the programs and treatments used to facilitate the analysis process, the data were collected and unloaded in Excel and SPSS 21 programs, depending on the nature of the information.

VII. Statistical methods used:

For the purposes of achieving the objectives of the study used the following statistical methods:

- **Statistical methods descriptive:** These methods were used to obtain general indicators about the characteristics of the study community, and characterization of the study variables, where they include frequency distribution, percentages and measures of central tendency Such as the mean and dispersion measures as standard deviation.
- **Test (T test) statistical significance of two independent samples:** this test is used when there are two groups, one of which is subjected to treatment and then the results are circulated for both groups

in order to ascertain the validity of the hypotheses of this research or not. In addition, the mean were compared in the two groups it was used here to test the extent of the importance of each paragraph of the paragraphs in the questionnaire from the point of view of each category of sample.

- **Correlation coefficient and alpha coefficient Kronbach:** Use the correlation coefficient to find out how closely the paragraphs of the questionnaire between them, on the one hand, on the other hand knowledge of the extent of the questionnaire axes link with each other, this was then reinforced with the Alpha Kronbach in order to know the sincerity and consistency of the paragraphs and themes of the questionnaire among themselves in order to determine the validity of this study. Where the value of alpha Kronbach 86.4% and therefore, as shown in Table (4) of this study, a good percentage confirms the validity of this tool for this study.

VIII. Results and discussion:

- **Characteristics of Study Members:**Table (5) The relative distribution table of the research sample based on the general information contained therein. It is noted that the sample of the study sample, mainly represented by the governor of accounts, is 35 years of age. In terms of their academic level, 97.6% have university degrees (bachelor's, master's and doctorate). It is also found that 1.61% have more than 10 years of experience .

- Testing hypotheses:

The existence of errors or fraud affecting the role of the governor of accounts in expressing an opinion on the financial statements;

(Table 6). In view of the means of the study sample on the paragraphs of the questionnaire in the first axis related to the main hypothesis, which came as follows, the first question with a mean of 4,04, followed by the second question with a mean of 3.53, the third question with a mean of 3.97, the fourth with a mean of 4,09, the fifth with a mean of The mean of the sixth question was 3.21, while the mean of the seventh question was 3.58. The mean of the eighth question was 3.80, the mean of the ninth question was 4.12, the mean of the tenth question was 3.14 , And finally the mean of the eleventh question, estimated at 3.70.

Table 6 also shows that the means of the first axis of the questionnaire on the main hypothesis, were higher and greater than the average of 3 ($3 = \frac{1+2+3+4+5}{5}$) as well as on the values of (t), which were all statistically significant at the level of α ($0.05 = \alpha$) and in favor of the mean of the members of the study sample, except for question 6 where the value of the statistical significance test (t) did not have a function (the explanation in paragraph 6 below). Through the above, the main hypothesis of the study that " The existence of errors or fraud affecting the role of the governor of accounts in expressing an opinion on the financial statements " has been achieved and is correct, which shows that the governor of the accounts in Algeria detects errors and fraud in the financial statements in order to express a neutral technical opinion that expresses honestly the reality of the activity of the institutions, and does not discover them in order to correct them or provide management advice, This last role is the discovery of errors and fraud and then correct them s the responsibility of management and not on himself.

Table (6), which contains the most important paragraphs of the first axis of the main hypothesis, also shows that:

- **Paragraph (1):** "The outputs of the financial accounting system reflect the actual reality of the institution's activity" with a mean of 4,04, which is greater than its estimated value³, the value of (t) at 13,497 is greater than the tabular value (t) shown in Table (9) reflecting the general view of the governors of accounts to the financial statements, a positive view that gives them the satisfaction that the financial statements do not contain material errors or fraud in their entirety, this is contrary to the requirements related to the review of the financial statements, which contain in their content a form of professional suspicion.
- **Paragraph (2):** The Accountant's experience is able to avoid financial statement errors. The calculation of the mean of 3.53 and the value of t 3,830 indicates that the governor of accounts is aware of his responsibility and that his experience gives him the ability to analyze, interpret and discover errors that may be contained in the financial statements.
- **Paragraph (3):** "The governor of accounts with his expertise is capable of correcting the fraud in the financial statements", we obtained a mean of 3.97 and a value of t (9,070) greater than the t value of the table. This indicates that professional experience is important in the ability of discovering fraud in financial statements, analyze it and also find out its causes.
- **Paragraph (4):** "The type of error affects the quality of the opinion of the governor of accounts on the credibility of the financial statements" we obtained a standard deviation of 4,09 and the value of (t) at 10,592 greater than the value of t (tabular), confirms the view of the auditors that the type of error (size) affects the type of opinion that will be made in his report, so, the simple error is not like the material error.
- **Paragraph (5):** "The type of fraud affects the quality of the opinion of the governor of the accounts on the credibility of the financial statements", the mean of the calculation of 3.95 and the value of (t) by 7,569 which is a function because it is greater than the value (t) which means that the governor of accounts recognizes the importance of the fraud triangle and its contents of the motives and opportunities to commit fraud and the ability of individuals to rational justification for their (adulterated) actions on the one hand, or that the opinion they will give in general is controlled by the type of fraud, that if a minor fraud, the opinion in his final report will not be affected and vice versa. This is not provided for in auditing standards, since fraud is considered fraud regardless of its size or nature.
- **Paragraph (6):** "In the event of a material error in the financial statements, the conservative opinion is the most appropriate" obtained a mean of 3.21, which is greater than the stated mean of the paragraph, and the value of t is 1,547 less than the tabular value t, which is not a function, which confirms that the fundamental error affects the decision of the stakeholders and from which the governor of accounts do not make a conservative opinion often, because of the large number of personal relations that reduce the independence of the governor of accounts in Algeria, governor of accounts is also influenced by social emotion in such decisions.
- **Paragraph (7):** "In case of material fraud and a departure from generally accepted accounting principles the negative opinion is the most appropriate " we obtained a mean of 3.58 and t (4,653) indicating that the type of distortion is either a material error or a fraud, the opinion of the governor of accounts is affected by issuing a report containing a negative opinion on the fairness and credibility of the financial statements.

- **Paragraph (8):** "The governor of accounts was unable to reach an opinion on the fairness and credibility of the financial statements. He would refrain from expressing his opinion in his report." we obtained a mean of 3.80 and t value of 5,003, which is statistically significant because it is greater than the tabular value t, that is, the governors of accounts in Algeria confirm what is stated in the paragraph.

- **Paragraph (9):** "The standard cleanest report is the most widely used by the governors of accounts" with a mean of 4.12, which is greater than the accepted mean of paragraph 3, and the value of t (12,908) is much higher than the tabular value t. This report reflects the financial statements presented fairly and credible except in the case of paragraph 6.

- **Paragraph (10):** "The Governor's of accounts conclusion that the financial statements were not fairly presented and that he should refrain from expressing his opinion in the report" we obtained an mean of 3.14, which is greater than the satisfactory mean of 3. In the case of an unfair presentation of the financial statements, from the point of view of the governors of accounts, It does not refrain from expressing an opinion by comparing them with the values of (t), which were 5,973, which is not valid because it is less than the t value of t-table.

- **Paragraph (11):** "If the governor of accounts has evidence of fraud in the financial statements, the negative opinion is more appropriate". This term obtained a mean of 3.70, which is greater than the average of 3, and with value (t) is 4, the paragraph is confirmed by the sample parties.

The analysis of the results showed that during the preparation of the report by the governor of the accounts, he depends on the results obtained during the audit process and on the effectiveness of the internal control system of the institution. We also noted that the type and size of both error and fraud plays an important role in determining the type of opinion to be made by the governor of accounts in his final report, and that the sample of the governors of accounts studied are aware of all of the above.

- **The first partial hypothesis: The governor of accounts is a professional person and responsible and eligible for the detection of errors and fraud in the financial statements;**

After the statistical treatment shown in Table (7), we observe the mean of the sample on the second dimension which reached 34.58, which is higher than the mean of 3. Therefore, the Governor of accounts is a professional person and responsible for detecting errors and fraud in the financial statements. This is confirmed by the value of calculated (t) which is greater than the tabular value for the sample, which amounted to 9.81 which is positive value ". In other words, the differences in favor of the mean of the study sample were statistically significant at $(0.05 = \alpha)$.

Through statistical analysis we note that the hypothesis that: The governor of accounts is a professional person and responsible and eligible for the detection of errors and fraud in the financial statements, by 99% with a probability of error of 1%. This means the approval of the sample of the study on all the paragraphs that reflect it. Thus enhancing confidence in the governor of accounts and reports issued by them, enabling stakeholders to make appropriate decisions during their use of financial statements, it confirms that the Governor of the accounts follows a general plan and adequate procedures and recognizes his responsibilities through the responses provided by the sample, which were all about the nature of the procedures followed by the governor of accounts and transactions during the performance of his work, and during the discovery of any error (material error) or fraud.

Governor of accounts in Algeria detects errors and fraud in the financial statements in order to express a neutral technical opinion honestly reflect the reality of the activity of institutions, And he does not discover them in order to correct them or provide management advice. This last role to discover errors and fraud and correct them falls on the management and not on governor of accounts. The governor of account is also responsible for knowing that the financial statements contain material misstatement or fraud, and he shall not be considered liable in case otherwise.

- The second partial hypothesis: The role of the governor of account does not end at the date of issuing of the report.

The results shown in Table (8), based on the mean of the sample on the second dimension, which reached 25.43, indicate that it is higher than the average. Therefore, the task of the governor of accounts does not end at the date of issuance of the report. This is confirmed by the value of (t) for the sample of 9.09 which is a positive value "that is, the differences in favor of the mean of the sample of the study" and It is statistically significant at the significance level ($0,01 = \alpha$). The hypothesis of the study that " The role of the governor of account does not end at the date of issuing of the report" is accepted, and the percentage of confirmation of this result is 99% with a probability of error of 1%. This means that all governor of accounts are aware of their responsibility after issuing the report, about errors and fraud in the financial statements, and carrying them out, and follow all procedures in the event of discovery of this error or fraud, the role of the governor of accounts remains after the date of issuance of the report, especially in respect of confidentiality, the profession shall not be permitted to give any information to the relevant parties, for example Competitors, otherwise, it will be punished judicially, as article 28 of Law No. 91 and the Algerian Audit Standards in various texts will require all documents must be kept for at least 10 years after the preparation of the final report.

IX. Conclusion :

By studying the role of governors of accounts in the detection of errors and fraud at the level of a sample of governors of accounts active in Algeria, whether through personal interviews with the governors of accounts or with the executives of the institutions , and to strengthen that by accurate statistical study . It can be said that Algeria's accountancy profession lacks sufficient legal provisions to regulate it. So , the law 10/01 is not sufficient for this in comparison to international auditing standards, which led the Algerian government to issue Algerian auditing standards, which despite being more modern than previous laws.

It was also shown through the applied study that:

- The governor of accounting or accounting expert to detect errors and fraud in order to correct or provide advice to management, this role to discover errors and fraud and then correct them falls on the management and not on the shoulders of the governor of the accounts, Because its first role is to provide a neutral and fair technical opinion without providing any advice to the Administration because it may harm the interests of the parties concerned. The governor of account is also responsible for knowing that the financial statements contain material misstatement or fraud, and shall not be liable in the event otherwise

- The role of the governor of accounts remains valid after the date of issuance of the final report, especially with respect to confidentiality of the profession. He may not give any information to the relevant parties, for example Competitors, otherwise, it will be punished judicially, as article 28 of

Law No. 91 and the Algerian Audit Standards in various texts will require all documents must be kept for at least 10 years after the preparation of the final report, where he should be active without an ethical violation of the profession provided for in Law 10 01 before or after the issuance of the Final Report.

- There are two mechanisms missing in Algerian institutions, each of which helps the governor of accounts to discover errors and fraud; the first is the absence of audit committees at the level of Algerian institutions, based on the statements of executives interviewed, the second is the absence of explicit legal text Or a direct application of corporate governance principles that avoid management from error or fraud.

during the preparation of the report by the governor of the accounts, he depends on the results obtained during the audit process and on the effectiveness of the internal control system of the institution. We also noted that the type and size of both error and fraud plays an important role in determining the type of opinion to be made by the governor of accounts in his final report, and that the sample of the governors of accounts studied are aware of all of the above.

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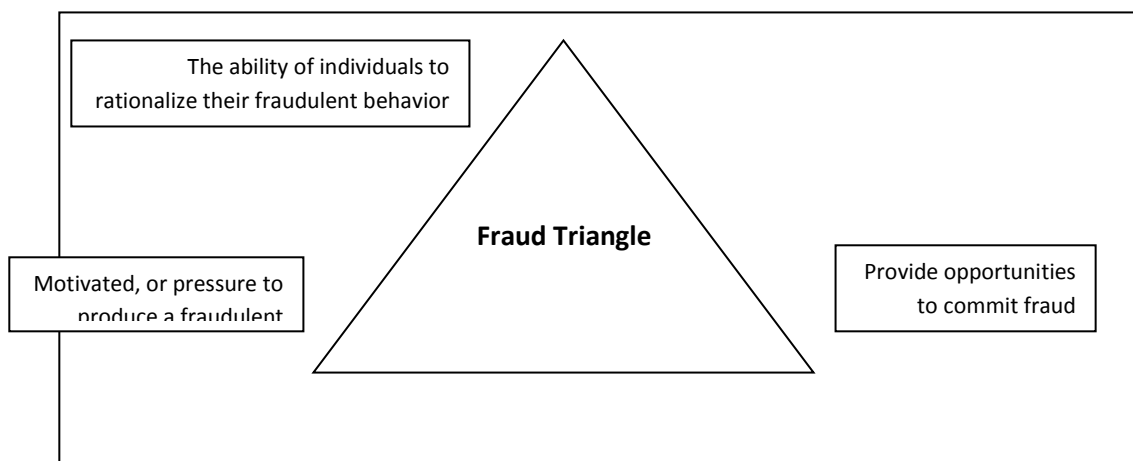
Appendix:

Table (1): Comparison of External Audit Types

data	Legal audit	Contractual audit	Judicial audit
Nature of size	Institutional, public nature	Contract	Determined strictly by the court
designation	By the shareholders	By the General Administration	By the Court
Target	Validation of the legality and validity of accounts, and information of the Board of Directors.	Ratify the legitimacy and honesty of accounts	Media justice on financial and accounting conditions, provide indicators in numbers
Duration	Permanent career covering the period of appointment	A specific profession according to the agreement	A circumstantial task the judge determines
Independence	To the Board of Directors and shareholders	Fully in principle	Parties to the full
Principle of non - intervention in management	It must be fully respected	It respects the principle, but it has to provide guidance in the management	Should be respected
Send reports to	Governing Council, General Assembly (regular, non-ordinary)	Directorate General, Board of Directors	To the judge in charge of the case
Conditions of practicing the profession	Registration in the National Association of Experts Accounting, Governors of Accounts	Initial registration in the National Assembly	Registration with accounting experts at the Judicial Council
Responsibility	Civil, criminal, disciplinary	Civil, criminal, disciplinary	Civil, criminal, disciplinary
Dismissal	Usually by the judiciary after the application of the institution	Specified in the contract	By the judge supervising the experience
Fees	Official law	Specified in the contract	Proposal by the expert to be determined by the judge
Method of followed work	Assessment of procedures, Internal audit, Monitoring of accounts, Legal monitoring	Evaluation of procedures, Assessment of internal audit, Monitoring of accounts	Way consistent with the need for experience, Consistent with the required judicial

Source: Prepared by researchers.

Figure (1): Fraud Triangle



Source: Prepared by researchers based on the: International standard on auditing 240, the auditors responsibilities relating to fraud in an audit of financial statements, 2016, p17.

Table (2): axes and number of paragraphs of the questionnaire

section	Statement	What is included in the axis	Number of paragraphs
1	The first axis	This topic included questions about the personal information of the sample members.	3
2	The second axis	Know the impact of errors and fraud in the financial statements on the governor's report.	11
3	The third axis	The personality of the governor of accounts and the extent of his competence and responsibility in the detection of errors and fraud.	10
4	The fourth axis	The role and responsibility of the governor of accounts after issuing his report.	10

Source: Prepared by researchers

Table (3): The five likert scale

Category	Not strongly agree	not agree	neutral	Agree	Strongly Agree
Class	1	2	3	4	5

Source: Prepared by researchers

Table (4): total Alpha Cronbach coefficient of the axes of the questionnaire.

Number	Axes title	Alpha Cronbach coefficient
1	This topic included questions about the personal information of the sample members.	0,827
2	Know the impact of errors and fraud in the financial statements on the governor's report.	0,812
3	The personality of the governor of accounts and the extent of his competence and responsibility in the detection of errors and fraud.	0,844
4	The role and responsibility of the governor of accounts after issuing his report.	0,788
Total Alpha Cronbach coefficient		86,40 %

Source: Prepared by researchers based on the SPSS 21 outputs.

Table (5): Demographic Information of the Study Sample.

	Statement	Frequency	percentage	
age	From 25 to 35 years old	10	%24,4	61.1%
	From 36 to 40 years	12	%29,3	
	From 41 to 50 years	14	%34,1	
	Total	41	%100	
Scientific level	Bachelor + Master	26	%63,4	
	M.A.	13	%31,7	
	Ph.D.	1	%2,4	
	Professional diploma	1	%2,4	
Professional Experience	Total	41	%100	
	Less than 5 years	08	%,194	
	From 5 to 10 years	08	%19,5	
	From 11 to 16 years old	09	%22	
	From 17 to 21 years	12	%29,3	
	22 years and over	04	%9,8	
	Total	41		

Source: Prepared by researchers based on the SPSS 21 outputs.

Table (6): Results of the main hypothesis

Questions	Size of sample	Mean	Standard Deviation	Average	Difrence (Mean-Average)	T	Degree of Freedom	Level of significance	Decision
1	41	4,04	0,497	03	1,048	13,497	04	0,00	significant
2	41	3,53	0,897	03	0,536	3,830	04	0,00	significant
3	41	3,97	0,688	03	0,975	9,070	04	0,00	significant
4	41	4,09	0,663	03	1,097	10,592	04	0,00	significant
5	41	3,95	0,804	03	0,951	7,569	04	0,00	significant
6	41	3,21	0,908	03	0,219	1,547	04	0,13	NON significant
7	41	3,58	0,805	03	0,585	4,653	04	0,00	significant
8	41	3,80	1,030	03	0,804	5,003	04	0,00	significant
9	41	4,12	0,565	03	1,121	12,908	04	0,00	significant
10	41	3,14	0,963	03	0,146	5,973	04	0,97	significant
11	41	3,70	1,289	03	0,707	4,4	04	0,00	significant

Source: Prepared by researchers based on the SPSS 21 outputs.

Table (7): Results of the first hypothesis

Total degree	Size of sample	Mean	Standard Deviation	Difrence (Mean-Average)	Average			
					T	DF	LS	Decision
The governor of accounts is a professional person and responsible and eligible for the detection of errors and fraud in the financial statements;	41	34,58	4,94	7,58	9,81	40	0,00	Significant

Source: Prepared by researchers based on the SPSS 21 outputs.

Table (7): Results of the second hypothesis

Total degree	Size of sample	Mean	Standard deviation	Difrence (Mean-Average)	Average			
					T	DF	LS	Decision
The role of the governor of account does not end at the date of issuing of the report.	41	25,43	3,13	4,43	9,09	40	0,00	Significant

Source: Prepared by researchers based on the SPSS 21 outputs.

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