



**REPORTING AUDIT FINDINGS IN ALGERIA: A COMPARATIVE STUDY OF THE  
ALGERIAN STANDARD ON AUDITING 700 AND STATUTORY TEXTS REGULATING THE  
AUDIT REPORT**

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Date of Reception : 13/07/2020 ; Date of revision : : 28/02/2021 ; Date of acceptance : : 09/05/2021

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**SUMMARY**

Regulating the process of reporting audit findings includes specifying the formal aspects of the report, methods of forming the opinion, and ways of identifying responsibilities. This study aims to explore similarities and differences among the requirements of the Algerian Standard on Auditing 700 (ASA 700) and different Algerian statutory texts related to reporting audit findings in terms of these three elements. We adopt a comparative approach that starts from ASA 700 recommendations and searches for similar aspects in other regulations. Results inadequate that all requirements derived from ASA 700 were indicated at least in one statutory text related to reporting audit findings in Algeria. Furthermore, no contradictions in terms were spotted between ASA 700 recommendations and any other Algerian regulation.

**Key words:** statutory auditing, audit report, Algerian standards on auditing, NAA.

**JEL Classification:** M40; M42.

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## 1- INTRODUCTION

Algerian statutory auditors conduct their auditing engagements under a set of audit-related mandatory statutory texts and a group of emerging non-compulsory local auditing standards. Act 01-10, in force since 2010, and a bunch of other statutory texts describe auditors' engagements, interactions, and role in the Algerian business environment. These mandatory regulations have been developed for decades in correspondence with economic reforms and developments. Algerian auditors can also benefit from the guidance of the Algerian Standards on Auditing (ASAs) developed by the Ministry of Finance since 2016. These standards are based substantially on the International Standards on Auditing (ISAs), yet using them by statutory auditors is completely voluntary.

The organization of the Algerian accounting and auditing profession is essentially centralized. The accounting system has been coordinated with the International Financial Reporting Standards (IFRS) of the IASB by the Act 07-11 of 25 November 2007. The pronounced financial accounting system issued by the Ministry of Finance, largely based on IFRS with several exceptions, is mandatory. ASAs are issued by the Ministry of Finance as well. However, the convergence of the Algerian auditing practices with international standards is not as developed. In the period 2016-2018, the government has issued 16 standards and is expected to release a complete set in accordance with ISAs.

Moreover, when conducting an audit, auditors have to comply with several reporting requirements set by statutory texts related to a certain subject or to form an opinion on financial statements. For instance, the Algerian legislator issued a decree on Mai 2011 that contains standards for statutory auditor's reports complemented by an order on June 2013 that defines and elaborates the content of these standards. These texts specify details about the main certification report and other special reports, including among others, reporting on related causes and conditions in the case of capital reduction or cases of business merger and different contracts the entity engages in. Similarly, ASA 700 organizes the issue of forming opinion and reporting on financial statements. Thus, auditors can use the standard simultaneously when reporting on audit findings.

Therefore, when forming their opinion and elaborating their report, auditors who choose to use ASAs find themselves obliged to comply with relevant statutory texts and at the same time follow ASA 700 guidelines. Regulations related to reporting audit findings in Algeria are diverse, sometimes they are repetitive, and other times they cover different angles of the audit mandate. Statutory auditors have the responsibility of being mindful of all these statutory texts. Consequently, it seems interesting to raise the question of the extent to which ASA 700 requirements are compatible with statutory texts related to reporting audit findings in Algeria, and if Algerian auditors can implement ASA 700 recommendations and still comply with all relevant legislation.

To address the study question, we adopted a comparative approach through examining ASA 700 requirements related to three main areas; formal requirements, forming opinion, and specifying responsibilities, and then comparing these requirements with the content of other statutory texts related to reporting audit findings. Convergence between statutory texts and professional standards in countries like Algeria where the organization of the audit profession is highly centralized is very substantial, whereas the importance of our study. This paper also contributes to the literature on audit and accounting standardization issues in Algeria.

The remainder of this paper is divided into five sections. In the next one, several prior studies are reviewed. The third major section is devoted to discussing the statutory auditing process in Algeria and the content of the audit report. The fourth substantive section draws Algerian statutory texts related to reporting audit findings. The fifth section compares ASA700 requirements with those of audit reports-related statutory

texts in matters of formal requirements, forming opinion, and specifying responsibilities in auditor's reports. Finally, the concluding section discusses and summarizes the argument of the paper.

## 2- REVIEW OF THE LITERATURE

The standardization of the audit reporting process that aims to reduce the divergence in communicating audit findings among national regulations is an issue that has attracted Algerian scholars' interest while discussing the development and the reforms of the audit profession. We can view this particular matter as an implication of reforming the Algerian accounting system. The Act 07-11 of 25 November 2007 introducing the financial accounting system, in force since 2010, aimed to harmonize the Algerian accounting system with the international standards (IFRS) of the IASB. According to Albu and Albu (2012, p. 350), developing countries may adopt IFRS for different reasons than developed economies, "in developed economies, the decision to adopt IFRS is more likely to be driven by the demands of users and preparers for comparable, reliable and transparent information. In emerging economies, IFRS can be a 'passport' to economic development". Thus, auditors can play a substantial role in securing IFRS compliance in Algeria, given the relative weakness of other enforcement mechanisms, besides users being less demanding; companies that do not comply with applicable accounting standards or whose audit reports are qualified do not suffer the same financial penalties.

Consequently, the role of statutory auditors in the accounting change is another catalyst for the concerns surrounding reforming the auditing profession in Algeria. Statutory auditing is regulated by law, the government started issuing professional standards, however, according to Benyoucef and Hadjadjji (2019), the auditing profession, is developing just in theory, leaving a gap and a void in the field. The authors propose attempting to issue new auditing standards that are in line with the reality of the business environment and avoid adopting purely international standards without taking into consideration their compatibility with the Algerian environment.

Nevertheless, in order to make a sound description of this sort, one must not limit oneself to perceiving ISAs as a peculiar element that cannot be adopted or applied in Algeria. Many studies contend that the Algerian legislator is leaning towards international practices of the audit without giving up the centralized nature of the organization of the audit profession. In this regard, Khouatra et Marhoum (2017, p.12) propose that the Algerian legislator is only liberalizing the audit profession slightly to keep, as a strategic actor, the power over the standardization and the organization of the profession.

From the academic perspective, research on regulating the audit profession seems a bit limited. Messahel et Guettafi (2019, p. 62) argue that Algerian researchers in the field of auditing prefer studying the effect of the auditor's and the auditee's characteristics instead of the regulations. According to their findings, auditors have witnessed during the last 6 years many regulations and amendments including the Commercial Law and other texts, to the point that some professionals say they are lost, and while many texts focus on audit reports, some aspects like the auditor's independence and competence get little attention from the legislator. Belguet (2017, p. 51) shares a somehow similar opinion contending that Algerian statutory auditors do not follow anymore the same referential when conducting their missions, and calling for a real platform for the application of ASAs and the harmonization of the audit practice.

Bouabida and Belkadi (2019) present an in-depth comparison of the content of ASAs with what Algerian auditors' practice in real fieldwork. They concluded that most of ASAs requirements have been already practiced in the field by Algerian auditors, in line with related statutory texts, even before the issuance of these standards; the auditors specify here ASA 500, ASA 505, ASA 570, and ASA 230. However,

some standards provide in-depth details about some requirements that were already regulated but not in great detail, the researchers specify in this aspect ASA 510, ASA 520, ASA 530, ASA 610, and ASA 620. In contrast, some standards brought new procedures to the Algerian audit profession and these are ASA 580, ASA 560, and ASA 540. The authors confirm that ASA 700, the center of our study, did not bring new requirements compared to what's applicable in practice particularly since it only treats unmodified opinion.

Moreover, there's a considerable body of the literature that focuses mainly on the convergence between local and international standards, such as Kadri (2016, p.70) who reports total conformity between ISAs and ASAs in matters of auditor's opinion on financial statements and the form and content of the auditor's report, reflecting Algeria's intention to adopt international standards. Yet, the subject of converging local statutory texts with standards has not been largely addressed.

An interesting study in this context is that of Saidi (2017) who argues that understanding the content of ASAs requires returning to the Civil and Commercial Acts and even to other branches of legislation since statutory texts related to auditing before Act 10-01 have not been promulgated as a part of the mentioned branches of legislations. The author explains that setting several texts related just to auditor's report is aiming for the real adoption of international standards and that many texts issued before these standards are in accordance with ISAs, concluding that Algeria is heading towards the internationalization of the audit profession. Moreover, that author proposes that Algerian legislation related to the audit report is largely in line with ISAs particularly ISA 700, ISA 710, ISA, ISA 720, ISA 800, ISA 200, ISA 560, and ISA 560.

By contrast, in her analysis of the effectiveness of Algerian statutory auditors under the application of international standards, Zaafrance (2016, p. 114) went on arguing that the Algerian auditing mission is not standardized and that the ultimate effectiveness of auditors cannot be achieved without the application of international standards. Moreover, the author suggests that actual regulations are not in line with international standards which could generate conflicts and difficulties when applying ASAs. However, the author did not provide a deep analysis of audit-related regulations and if they were inconsistent with the content of international standards. Those results are inconsistent with those Terriche (2018, p. 238) who confirms that the legislative background organizing the external auditing profession in Algeria, including the Commercial Law and Act 10-01, are in line with international standards and Belkadi et al. (2019) who asserts, in terms of reporting audit findings, that the essence of regulations related to external audit reports in Algeria were set largely based on Generally Accepted Standards and ISA's, which made them consistent in content.

Our study, which investigates similarities and differences between ASA 700 and the several regulations related to reporting audit findings in Algeria, is an extension to the diverse studies that addresses the conformity between ASAs and local legislations. We perceive our added value in exploring the different aspects of the audit report under the current regulations and ASA 700 using a comparative approach different from that of Bouabida and Belkadi (2019) who depended on the perspective of professionals. We also aim to contribute to the open debate about the applicability of ASAs in Algeria and the different issues related to adapting statutory auditors to the changing environment of the audit profession.

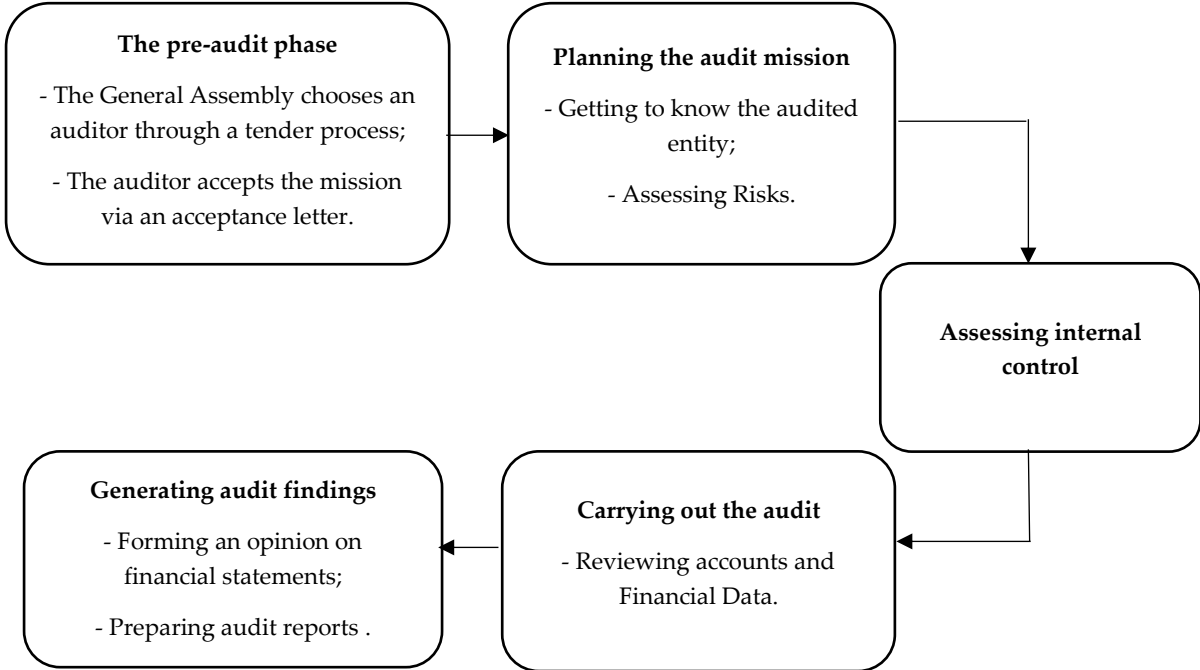
### **3- THE STATUTORY AUDITING PROCESS IN ALGERIA AND THE CONTENT OF THE AUDIT REPORT**

A statutory auditor in Algeria is defined by law as all persons who normally exercise, under their name and responsibility, the task of certifying the validity, regularity, and conformity of the accounts of entities and institutions (Act 10-01, article 22). In another text, the Algerian legislator defines an auditor as

someone who does not interfere in the management. Their mission is checking the entity’s books and financial statements, and to monitor the regularity and accuracy of its accounts. The auditor also checks the reliability of the information provided in the report of the administrative board and the documents sent to shareholders about the financial position of the entity and its accounts (Order 75-59, article 715). Hence, the way statutory auditors are defined in the Algerian context does not differ inherently from what’s generally accepted internationally; an independent professional who does not interfere in the management, and who provides assurance services to the entity under their responsibility. We observe as well that these two definitions focus on defining statutory auditors based on their mission.

The statutory auditing mission on the other hand can also be identified based on its steps and the auditing tasks that mark this general process. From the point of view of Algerian statutory texts that regulate the profession, one could propose a five-step chart as illustrated is figure 1.

**Figure 1:** Steps of the statutory auditing process in Algeria



**Source:** formed by authors based on the related Algerian statutory texts (see: The Commercial Law, Act 10-01)

The statutory auditing mission in Algeria, as demonstrated in figure 1, can be regarded as a series of steps, well organized and regulated, from the appointment of the auditor until generating the audit finding, with the ultimate goal of forming an opinion on the entity’s financial statements and reporting audit findings. The reporting phase is of particular importance given that it is the most accurate proof that the auditor performed the audit process to serve financial information users and stakeholders.

The audit report is a written summary through which auditors express their objective professional opinion on the accuracy, reliability, and transparency of the information mentioned in the financial statements of the entity and confirm the real situation of its assets and debts (Bertin, 2007, p. 164). The Algerian legislator granted a lot of attention to reporting audit findings, thus, statutory texts related to auditor’s reports do not only provide details about the certification report, but also address reports on other matters and missions the auditor might engage in.

However, for the purpose of this paper, we care primarily about the forming of audit opinion and the certification report since it is the matter discussed in ASA 700. The content of the certification report has been discussed thoroughly in the first chapter of the Minister of Finance’s Order of 24 June 2013 that elaborates on the content of standards statutory auditors have to comply with while preparing audit reports. The way this standard addresses this matter was by specifying two parts of the report:

- Part one: The general report for expressing an opinion. It contains three main sections: the introduction section, the opinion on the financial statements section, and the notes paragraph. The content of each section as described in the stated Ministerial Order is demonstrated in table 1.
- Part two: Special audits and information. This section contains three main paragraphs; conclusions about special audits, violations and suspects that do not affect annual accounts, and any other information the auditor has to indicate.

**Table 1:** Content of the general report of expressing an opinion in the Algerian legislation

Section	Content
Introduction	<ul style="list-style-type: none"> <li>- Date and procedures of the auditor’s appointment;</li> <li>- Defining the audited entity; date of disclosure of the audited financial year;</li> <li>- Management responsibilities;</li> <li>- Auditor’s responsibilities;</li> <li>- Indicating any financial statements attached to the audit report.</li> </ul>
Opinion on financial statements	<ul style="list-style-type: none"> <li>- Audit nature and objectives;</li> <li>- Basics of opinion;</li> <li>- Auditor’s opinion: can be either an unqualified opinion, a qualified opinion, or an adverse opinion;</li> <li>- Indicating qualifications if there are any.</li> </ul>
Notes paragraph	<ul style="list-style-type: none"> <li>- Any points related to annual accounts that do not affect the current audit opinion.</li> </ul>

**Source:** formed by authors based on the Minister of Finance’s Order of 24 June 2013 (2014, pp.14-15).

Table 1 demonstrates how the Algerian legislator specifies in detail the content of the audit report from the introduction and the main body of the report, to any additional necessary notes. This content is also supported by other statutory texts related to the audit report that we will discuss in the next section. We want to emphasize at this point that the term ‘standard’ has been used in the Minister of Finance’s Order of 24 June 2013 and other statutory texts before the official issuance of ASAs in 2016, indicating the Algerian inclination towards international practices.

#### 4- ALGERIAN STATUTORY TEXTS RELATED TO REPORTING AUDIT FINDINGS

In this study, we use the set of statutory texts that are in force regulating forming opinion and reporting audit findings in Algeria to compare the requirement of ASA 700 with other legal requirements. Most of these texts are from governmental online sources, yet there is one text that we obtained from another source. We specify in this section these documents and their content.

##### 4.1- THE COMMERCIAL LAW

The Algerian Commercial Law was initially issued in 26 September 1975 (order 75-59), amended and completed on 25 April 1993 by the legislative decree 93-08 which is still in force today. Both texts are

available online on the Algerian Official Journal platform (<https://www.joradp.dz/>) developed by the General Secretariat of the Government. The Commercial Law's main objective is not related directly to auditing, however, and given the importance of the accounting profession in the business environment, the Act refers in many occasions to stationary auditor's engagements, and it specifies some requirements related to reporting audit findings.

This Act describes auditors' report engagements in matter of presenting the findings to the entity's General Assembly, explaining different conducted procedures and investigations, and specifying how the deliberation held for the certification of the statement of financial position cannot be legal unless the auditors present their report. The Act also defines special reports the auditors have to issue about their interferences in cases of capital change and business merger and reporting on different contracts the entity engages in. Furthermore, the auditors are granted some extended powers including enabling them, in the extreme cases, to call for an Extraordinary General Assembly or to even contact the juridically responsible prosecutor about any misdemeanor acts they witness.

#### **4.2- FIELD-WORK STANDARDS FOR STATUTORY AUDITORS**

This statutory text, which has the term 'standard' in its title, was issued in 2 February 1994 within the Ministerial Order number SPM/94/103, yet, despite being both still in force and widely used by auditors today, it is not available in any governmental website. We were able to obtain the document for the sake of this research with the help of an accounting professional who uses it in their daily work. The document is based largely on the French legislation organizing the fieldwork for statutory auditors and is segmented to three directives.

The third directive of the order presents the details of the reports mentioned in both the Commercial Law and the repealed Act 91-08 that used to organize the profession before 2010. The text explains the content of different documents statutory auditors are required to prepare and provides interpretative models including the letter to the management board and the report on accounts certification. Furthermore, field-work standards for statutory auditors define the forms auditor's opinion on financial statements can take; whether it is an unqualified certification, a qualified certification, or an adverse opinion.

#### **4.3- ACT 10-01 THAT ORGANIZES THE ACCOUNTING PROFESSION IN ALGERIA**

Act 10-01 is considered by many a revolutionary legislation for the auditing profession in Algeria, it is available online at the Algerian Official Journal platform. Article 83 of the document has repealed all regulations incompatible with this act, particularly Act 91-08 relating to the accounting profession. Besides specifying many aspects of the three types of accounting professionals in Algeria; accounting experts, statutory auditors, and certified accountants, the act assigns the National Accounting Board as an accounting monitoring body in the country.

Concerning the reporting requirements, Act 10-01 states that statutory auditors must prepare a set of reports that includes, besides the accounts' certification, reporting on integrated or combined accounts, regulated contracts, the details of the highest 5 remunerations in the entity, special advantages granted to employees, the evolution of the result for the last five years and the result per share or per social share, internal control procedures, and lastly, a report in case of noting any potential threat of the entity's going concern.

#### **4.4- STANDARDS FOR STATUTORY AUDITOR'S REPORTS**

These standards were issued in the executive decree N° 11-202 dated 26 Mai 2011 specifying standards for statutory auditor's reports, their form, and their time frame of presentation, available online too on the Algerian Official Journal platform. This document aims to provide more details to the content of Article 25 of Act 10-01, the standards for the reports statutory auditors have to prepare, their form, and the dates for sending them to the entity's General Assembly.

Besides the reports cited in Act 10-01, this decree adds seven more topics for the auditor to report individually including reporting on acquiring shares as a warrant, the procedure of capital raising or capital reduction, issuing other movable properties, the distribution of advances on dividends, the transformation of joint-stock companies, subsidiaries, holdings, and controlled companies.

The Algerian legislator has used in this decree the term 'standard' as well which shows Algeria's intention to join the International Standards on Auditing trend by issuing this text. The standards included in the decree go on specifying more details about the form of the certification report, the mandatory information it should include such as the auditor's license number and his registration number in the National Chamber of Statutory Auditors, besides the dates of reporting.

#### **4.5- MINISTER OF FINANCE'S ORDER OF 24 JUNE 2013**

This Order defines and elaborates the content of standards statutory auditors have to comply with when preparing audit reports. The text is available online and it illustrates in detail the content of standards mentioned in legislative decree N° 11-202 and how statutory auditors can prepare and present their reports to the General assembly. The Order contains 14 chapters; the first one is a standard on expressing an opinion on financial statements. This standard provides details about the certification report and is divided into two parts we discussed in table 1 before. The other chapters address other standards as follows:

- Chapter two: a standard on expressing opinion on integrated and combined accounts;
- Chapter three: a standard on regulated contracts the auditor was notified about or uncovered while conducting his mission;
- Chapter four: a standard about reporting on the highest 5 or 10 remunerations in the entity;
- Chapter five: a standard on reporting on special advantages granted to employees;
- Chapter six: a standard about reporting on the evolution of the entity's result for the last five years;
- Chapter seven: a standard about reporting on the internal control procedures;
- Chapter eight: a standard on reporting on the entity's going concern;
- Chapter nine: a standard on acquiring shares as a warrant;
- Chapter ten: a standard about the procedure of capital raising;
- Chapter eleven: a standard about capital reduction;
- Chapter twelve: a standard about issuing other movable properties;
- Chapter thirteen: a standard about the distribution of advanced payments on dividends;
- Chapter fourteen: a standard about the transformation of joint-stock companies;
- Chapter fifteen: a standard about subsidiaries, holdings, and controlled companies;

It is worth mentioning at this point that the Algerian Ministry of Finance has issued another decree attached to the above on January 2014 about submitting the audit reports. The decree is very concise and it only asserts in one paragraph how the described reports must be presented at least 15 days before the ordinary or extraordinary session of the auditee's General Assembly (Decree of 12 January 2014, p. 22).

#### **4.6- ASA 700**



## Reporting Audit Findings in Algeria: A Comparative Study of the Algerian Standard on Auditing 700 And Statutory Texts Regulating the Audit Report (PP. 1-14)

The ASA 700 ‘forming opinion and audit report on financial statements’ was issued as a part of the second set of ASAs through the decision N° 150 dated 11 October 2016 and is available online on the National Accounting Board website (<http://www.cnc.dz/reglement.asp>). The standard is mainly stemming from the International standard with the same numeral coding ISA 700. The content of the standard specifies the form and the content of the auditor’s report when auditing in accordance with ASAs and arriving to an unmodified audit opinion.

An unmodified opinion is that expressed by the auditor when concluding that financial statements have been prepared in accordance with the applicable accounting referential and that they are valid and accurate to the real situation during the current period. The main objective of the auditor is forming an opinion in a written report about financial statements based on evaluating conclusions deduced from gathered evidence, hence, the standard specifies the form of the auditor’s report and required elements that should be mentioned as well as the forms of audit opinion that can be as follows:

- An unmodified audit opinion: confirming that financial statements have been prepared in all material aspects in accordance with the applicable accounting referential;

- A modified audit opinion: here ASA 700 refers to ASA 705 that has not been promulgated yet. This form of opinion is issued when concluding that the financial statements include material disruptions (incorrect or incomplete information, evasion) and in cases when the auditors cannot gather enough accurate evidence to allow them to conclude that financial statements do not as a whole contain material disruptions.

### 5- COMPARING ASA700 REQUIREMENTS WITH THOSE OF AUDIT REPORTS-RELATED STATUTORY TEXTS

This study aims to explore similarities and differences among the requirements of ASA 700 and different Algerian statutory texts related to reporting audit findings. For this reason, we suggest three main areas of comparison: Formal Requirements, Forming Opinion, and Specifying Responsibilities. The way we chose to address the study question is by citing the requirements of ASA 700 in a table and checking for similar requirements in the related statutory texts we discussed in section four. In these tables, the symbol ✓ indicates that the text includes similar requirements while the symbol ✗ signals the absence of similar requirements in the corresponding text. Results are demonstrated in the following subsections.

#### 5.1- FORMAL REQUIREMENTS

Formal requirements are stipulations related to the form of the audit report, such as indispensable information and the general parts of the report. ASA 700 addresses the formal aspects of the audit report in five main points that we address in table 2 with an indication of any similar requirements in related statutory texts.

**Table 2:** Formal requirements of auditor reports in ASA 700 in contrast of other statutory texts

ASA 700 Requirements	The Commercial Law	Field-work standards for statutory auditors	Act 10-01	Standards for statutory auditor’s reports	Minister of Finance’s Order of 24 June 2013
Presenting Financial statements’ audit findings in a written report	✓	✓	✓	✓	✓
Specifying the correspondent, the auditee, and the audited period in the report	✗	✓	✗	✗	✓

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Starting with an introductory paragraph (the content is specified in the standard)	x	✓	x	x	✓
Specifying the auditor's professional address	x	x	x	x	✓
Asserting the auditor's signature and stamp	x	✓	x	x	✓

**Source:** formed by authors

As illustrated in table 2, presenting financial statements' audit findings in a written report was outlined in all related texts: article 648 of the Commercial Law, the second directive of the field-work standards for statutory auditors, article 10 of Act 10-01, article 01 of the decree of standards for statutory auditor's reports, and chapter one of Minister of Finance's Order of 24 June 2013. In contrast, specifying the correspondent, the auditee, and the audited period in the report, starting with an introductory paragraph, and asserting the auditor's signature and stamp were outlined in the second and third directives of the field-work standards for statutory auditors, and in chapters one and two of Minister of Finance's Order of 24 June 2013. However, The Commercial Law, fieldwork standards, Act 10-01, and the decree of standards for statutory auditor's reports did not address these requirements. Finally, specifying the auditor's professional address was only mentioned in chapter one of the Minister of Finance's Order of 24 June 2013.

### 5.2- FORMING OPINION

The subject of forming an opinion in this context indicates any requirements about elements auditors base their judgment on and the form of this opinion. ASA 700 addresses this matter in three points described in table 3.

**Table 3:** Forming opinion requirements in ASA 700 in contrast to other statutory texts

ASA 700 Requirements	The Commercial Law	Field-work standards for statutory auditors	Act 10-01	Standards for statutory auditor's reports	Minister of Finance's Order of 24 June 2013
The audit opinion is based on gathered evidence	✓	✓	✓	x	✓
When financial statements are prepared in accordance with the applicable accounting referential, the auditor issues an unmodified opinion	x	✓	✓	x	✓
In cases of disruptions in the financial statements the auditor issues a modified audit opinion	x	✓	✓	x	✓

**Source:** formed by authors

The ASA 700 requirement of basing the audit opinion on gathered evidence was indicated in article 680 of the Commercial Law, in the third directive of field-work standards for statutory auditors, in article 25 of Act 10-01, and in the first chapter of Minister of Finance's Order of 24 June 2013. However, it was not mentioned in the decree of standards for statutory auditor's reports. In contrast, the types of audit opinion

(modified/ unmodified) were addressed in the third directive of field-work standards for statutory auditors, in Article 25 of Act 10-01, and in the first part of the first chapter of the Minister of Finance’s Order of 24 June 2013. Nevertheless, the commercial law and the decree of Standards for statutory auditor’s reports omitted this issue.

### 5.3- SPECIFYING RESPONSIBILITIES

Specifying responsibilities is a very substantial part of reporting audit findings. The understanding of the audit report depends largely on comprehending each part's responsibilities and the objectives of the audit. In this context, ASA 700 covered the subject of specifying responsibilities by addressing six main areas as illustrated in table 4.

**Table 4:** Specifying responsibilities in auditor’s reports in ASA 700 in contrast to other statutory texts

ASA 700 Requirements	The Commercial Law	Field-work standards for statutory auditors	Act 10-01	Standards for statutory auditor’s reports	Minister of Finance’s Order of 24 June 2013
The auditors include in their report a statement that indicates their independence from the auditee	x	x	x	✓	✓
The auditor asserts in the report management’s responsibility related to financial information	x	✓	x	x	✓
Explaining the auditor’s responsibility in issuing an opinion	x	✓	x	x	✓
Explicating the audit and the conducted procedures of gathering evidence to form an opinion	✓	✓	x	x	✓
Clarifying the date of the report: it should not precede the date when the auditor obtains the audit evidence	✓	✓	x	✓	✓
A paragraph about other legal engagements not prescribed in the accounting referential but are a part of financial statements	✓	✓	✓	✓	✓

**Source:** formed by authors

Indicating the auditor’s independence in the report was addressed in two different occasions: in article 5 of the decree on standards for statutory auditor’s reports, and in the first part of the first chapter of the Minister of Finance’s Order of 24 June 2013. The Commercial Law, fieldwork standards for statutory auditors, and Act 10-01 did not address this matter. Furthermore, signaling management’s responsibility related to financial information and auditor’s responsibility in issuing an opinion were pointed out in the third directive of field-work standards for statutory auditors and the first part of the first chapter of the

Minister of Finance's Order of 24 June 2013. However, The Commercial Law, Act 10-01, and the decree of standards for statutory auditor's reports did not address these matters.

Explicating the audit and the conducted procedures of gathering evidence to form an opinion was addressed in articles 643 and 680 of the Commercial Law, in the third directive of field-work standards for statutory auditors and the first chapter of Minister of Finance's Order of 24 June 2013. However, Act 10-01 and the decree of standards for statutory auditor's reports did not address this matter. Similarly, clarifying the date of the report was stated in Article 643 of the Commercial Law, in the third directive of field-work standards for statutory auditors, in article 3 of the decree of standards for statutory auditor's reports and in the first part of the first chapter of Minister of Finance's Order of 24 June 2013. Act 10-01 did not address this matter.

The requirement of stating a paragraph about other legal engagements not prescribed in the accounting referential but are a part of financial statements has large implications, thus, it matches several requirements mentioned in all relevant texts. Some examples of that are Article 675 of the Commercial Law related to decreasing the capital and Articles 751 and 752 of the same Law related to business mergers, the part of the third directive of Field-work standards for statutory auditors related to reporting on legal contracts, Article 25 of Law 10-01 related to complementary reports of the auditor, Article 01 of the decree of standards for statutory auditor's reports related to reports accompanying the general report, and chapters from two to fifteen of the Minister of Finance's Order of 24 June 2013.

## 6. DISCUSSION AND CONCLUSION

Reforming the auditing profession in Algeria aims to unify the local practices as well as join the international audit convergence flow. One might think that this assertion only applies to ASAs, but our examination of different statutory texts related to the audit report demonstrates how the Algerian legislator started issuing regulations in line with international standards even before the official promulgation of ASAs that started in 2016.

Our results indicate that all requirements derived from ASA 700 were indicated at least in one statutory text related to reporting audit findings in Algeria. Furthermore, no contradictions in terms were spotted between ASA 700 recommendations and the Algerian regulation, which confirms the findings of Bouabida and Belkadi (2019) who investigated the subject from the point of view of professionals, and whose sample assured that ASA 700 did not bring new requirements compared to what's applicable in practice, and those of Saidi (2017) who explored the conformity between the Algerian statutory texts related to the audit and ISAs. However, our findings are inconsistent with the argument of Zaafrane (2016) who asserts that actual audit-related regulations are not in line with international standards.

In more detail, field-work standards for statutory auditors and Minister of Finance's Order of 24 June 2013 were the two texts that covered most of ASA 700 requirements. Minister of Finance's Order of 24 June 2013 did not miss a single requirement, and as discussed in the fourth section of this paper, covers more reports and more requirements that could be related to other ASAs, besides addressing all types of audit opinion.

Similarly, field-work standards for statutory auditors that were issued in 1994 in the Ministerial Order SPM/94/103 are still relevant and popular among professionals. These standards cover almost all ASA 700 requirements except for specifying the auditors' professional address in the report and including a statement that confirms their independence from the auditee. The reason why field-work standards are consistent with

recent standards could be them originating from the French legislation that is in turn stemming from international practices. It is worth giving further details at this point that article 83 of Act 10-01 has revoked all regulations that are not in line with the Act, however, field-work standards are still in force since they are consistent with its content.

Another interesting point from the results of our paper is that ASA 700 does not address all possible cases the auditor might deal with when forming an opinion. ASA 700 did not refer to other types of opinion detailed in the Minister of Finance's Order of 24 June 2013 and Act 10-01 concerning qualified and adverse audit opinions. Instead, the standard refers to ASA 705 for all modified audit opinion even though this standard has not been issued yet, which could tie up the audit mission and causes the auditors to omit using ASAs under the excuse that they are not complete yet, particularly that they are not mandatory.

Based on the results of this study, we suggest the following recommendations:

- The necessity of issuing the complete set of ASAs as soon as possible, particularly that the last group of standards was promulgated in 2018;
- Enacting the obligation of applying ASAs since they are consistent with already in force statutory texts;
- Clarifying the relationship between the content of ASA 700 and other audit reporting-related statutory texts.

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