

**GENERAL APPROACH OF THE EXTERNAL AUDITOR UNDER THE
ALGERIAN AUDITING LAWS**

المنهج العام لمحافظ الحسابات في ظل قوانين التدقيق الجزائرية

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Abstract : The auditor's usual mission is to certify the sincerity, regularity and faithful image of the accounts of companies and organizations. To achieve its objective, it must take note of and evaluate in a very short period of time a mass of very important and very diversified information by adopting a rational approach which should allow him to collect as much evidence as possible necessary to formulate his opinion. The aim of this study is to highlight the professional diligence that the auditor must implement during his legal control process, from acceptance of the mandate to the preparation of the final opinion expression report, and showed that these procedures are all found in the Algerian NAA audit standards or in the decision of the Minister of the Economy n°103/SPM/94 of 02/02/1994.

Keywords: Auditor; legal audit; professional diligences; evidences; auditing standards.

Jel Classification Codes: M4, M41, M42

مستخلص: تتمثل مهمة محافظ الحسابات في المصادقة على صدق وشرعية حسابات الشركات والمؤسسات. ولتحقيق هدفه، يجب عليه أن يحيط علما ويقيم في فترة زمنية قصيرة جدا كمية هامة ومتنوعة من المعلومات من خلال اعتماد نهج عقلاني يسمح له بجمع أكبر قدر ممكن من الأدلة لتكوين رأيه. تهدف هذه الدراسة إلى تسليط الضوء على الواجبات المهنية التي يتعين على محافظ الحسابات تنفيذها أثناء مساره في عملية التدقيق القانونية، منذ قبوله للعهد إلى غاية إعداد تقرير التعبير عن الرأي النهائي، وتوصلت إلى أن كل الواجبات المهنية المطلوبة موجودة في المعايير الجزائرية للتدقيق أو في قرار وزير الاقتصاد رقم 103 / SPM / 94 المؤرخ في 02/02/1994.

الكلمات المفتاحية: محافظ الحسابات؛ التدقيق القانوني؛ العناية المهنية؛ العناصر المقنعة؛ معايير التدقيق.

تصنيف JEL: M4, M41, M42

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1. Introduction:

The general approach of the Statutory Auditor must be prudent and methodical from the acceptance of the mandate to the preparation of the final certification report of the annual accounts. To achieve this, he must implement the due diligence required in the new Algerian Audit Standards (AAS), published by the National Accounting Council (NAC) since February 4, 2016, and the procedures annexed to the decision of the Minister of the Economy n°103/SPM/94 of 02/02/1994, relating to the professional procedures of the auditor, still in force, and which defined 6 important recommendations which explain the procedures to be implemented by the auditor during his legal audit mission from acceptance of the mandate and entry into office, until the preparation of mandatory reports.

The statutory audit mission of the auditor is structured around three legal obligations:

- That of controlling the regularity, sincerity and faithful representation of the annual accounts;
- That of ensuring compliance with the legal and regulatory provisions governing the life of the controlled company;
- That of making its opinion and findings known to the bodies of the controlled company (Managers and Shareholders) and in certain cases to the competent authorities.

The scale and complexity of this mission and the narrowness of the time allocated to its execution therefore require the prudent and informed professional to adopt a rational approach to enable the collection of as much sufficient evidence as possible appropriate to reach reasonable conclusions on which to base his opinion. Given the importance of the legal audit mission, we considered it useful to establish this article to be able to respond to the main question:

What are the professional procedures to be implemented by the auditor when carrying out a legal audit?

To answer the main question we must answer the following sub-questions:

What work does the auditor do before starting the audit process?

What are the stages of the audit process?

What reports must be prepared at the end of the audit process?

Research objectives

This research attempts to clarify the basic stages of the legal audit process and highlighting the procedures that must be applied at each stage.

Previous studies

By reviewing previous studies related to the subject of the study or part of it, and to the researcher's knowledge, we mention:

Study of (ROUANI, 2023): The reality of the Statutory Auditor profession under the Algerian Auditing Standards (AAS). The study aimed to clarify the reality of the Statutory Auditor profession in light of the Algerian auditing standards (AAS), as well as indicating the standards of auditor reports and measuring them with international auditing standards. The study found that Algerian auditing standards are an exact copy of international auditing standards that auditors use to solve the various problems that the legal auditing profession suffers from in Algeria. These results also confirm the need to prepare an integrated guide to the Algerian auditing standards and the auditors' reporting standards, especially for the auditing of large companies such as Sonatrach, so that the various gaps are rectified and corrected.

Study of (DEKHISSI & BAHIRI, 2021) The place of Algerian audit standards in the conduct of the legal audit mission. This study deals with the place of Algerian auditing standards in the conduct of a legal audit mission from the start of the mission until the establishment of the report by the auditor. This became possible after the accounting profession in Algeria was equipped with 16 standards of auditing since 2016. The study concluded that the audit standards implemented respond to the concerns of the accounting profession. However, the road is not yet complete, as there remains a gap for a number of practices such as identifying and assessing the risks of material misstatement through knowledge of the entity and its environment.

Study of (AYADI & BELGUET, 2018) Reconciliation Between Legal Audit Practice and Algerian Auditing Standards in Algeria. Case: AAS 210 "Agreement on the Terms of Audit Missions". The study showed that, for the current moment, there is no platform for the rigorous application of the AAS (Algerian Audit Standards) because of the inadequacy experienced by professionals and the insufficiency of controls on these. The study concluded that many actions are needed to establish the standards correctly, and these actions must be taken by the national accounting council to prepare a pleasant atmosphere for the proper application of the new audit framework.

2. Diligence regarding acceptance of mandate and entry into office.

The auditor's permanent mission, excluding any interference in management, is to verify the books and values of the company and to control the regularity and sincerity of the company accounts. (Algerian Commercial code, 1999).

He is appointed after duly written acceptance, by the general assembly or the authorized deliberative body, from among the professionals approved and registered on the roll of the national chamber, on the basis of specifications. Once appointed, he must agree with management on the terms of the mission and sign the mission letter. (Executive Decree 11-32, 2011).

2.1 Appointment of the auditor

Within a maximum period of one month after the end of the last financial year of the mandate of the auditor, the board of directors, the management board, the manager or the authorized body are required to draw up specifications in anticipation of the appointment by the general meeting of the auditor.

The applicant auditor receives written authorization from the entity to enable him to carry out an evaluation of the audit mission by taking note of:

- the organization of the entity and its divisions;
 - reports from the auditors for previous financial years;
 - other possible information necessary for the evaluation of the mission.
- Acquaintance with the aforementioned elements is carried out on site, without moving documents and without copies, within a time limit set by the specifications.

After the auditor ensures that he does not fall prey to legal and regulatory incompatibilities and prohibitions, to ensure the feasibility of the mission with regard in particular to the technical and human capacities of his office, and on the basis of the elements cited in the specifications, the auditor specifies in the offer:

- the resources to be implemented;
- the professional qualification of the participants;
- the detailed work program;
- the interim, special and final reports to be presented and the deadlines for submitting the reports.

The selected auditor addresses, to the general meeting of the organization or company concerned, within a maximum period of eight (8) days, following the date of acknowledgment of receipt of notification of his or her appointment, mandate acceptance letter.

The auditor is also required to notify his appointment as auditor to the quality control commission within the national accounting council, by registered letter within a maximum period of fifteen (15) days. (Law 10-01, 2010).

2.2 Agreement on the terms of the audit mission

The designated auditor must agree with management on the terms of the audit mission according to the diligence required in the Algerian Audit Standard relating to the agreement on the terms of the audit mission which specifies that the auditor accounts must record the terms of the mission in the mission letter that he addresses to management, in which he specifies that: (AAS 210, 2016)

- As part of this mission, he will carry out an audit of the financial statements of the entity with the aim of expressing an opinion on the regularity, sincerity and faithful image given by the accounts of the entity.
- He will result in the issuance of opinion expression reports and special reports provided for by the commercial code and law 10-01 relating to the professions of chartered accountant, auditor and approved accountant and the subsequent texts.
- He will carry out an audit according to the auditing standards applicable in Algeria, these standards require the implementation of due diligence to obtain reasonable assurance that the accounts do not contain significant anomalies. He recalls, in this respect, that an audit consists of examining, on a sample basis, the conclusive elements justifying the data contained in the financial statements. It also consists of assessing the accounting principles followed, the significant estimates used for closing the accounts and assessing the content of the presentation of the financial statements as well as the information provided.
- Due to the use of the sampling technique and other limitations inherent to the audit, as well as those inherent in the operation of any accounting and internal control system, the risk of non-detection of significant anomalies, such as those originate from fraud or result from errors, cannot be completely eliminated. For the same reasons, he cannot provide assurance that all major deficiencies in the accounting and internal control system generating significant anomalies could be identified. However, if such deficiencies were to be noted during his work, the auditor would not fail to inform management immediately.

- The auditor also specifies that he is subject to professional secrecy in accordance with the provision of article 71 of law 10-01 referred to above and that he could only be released from it under the conditions specified by article 72 of the same law.

The auditor recalls that the preparation of the annual financial statements of the entity is the responsibility of its corporate directors and that this responsibility implies: (Law 07-11, 2007)

- Maintaining accounting in accordance with the accounting rules and principles published by the aforementioned law 07-11 and its subsequent texts;
- The establishment of an adequate internal control system.

3. General knowledge of the controlled company

Before beginning the audit of the accounts, the Auditor must clearly understand the economic, financial, legal and accounting realities of the audited company.

The objective to be assigned to this phase is therefore to obtain a sufficient understanding of the particularities of the controlled company to:

- Determine the general risks inherent to the very particularities of the controlled company which may have a significant impact on the accounts and on the direction and planning of the mission;
- Identify significant mission areas and systems;
- Build the mission's permanent file;
- Establish the mission plan or general work program.

The Auditor must seek in particular information concerning the nature and sector of activity, the structure of the company, the general organization of the company, the administrative and accounting organization, accounting practices, deadlines and frequency of production of financial information, the existence of fundamental internal controls (separation of functions, approval and authorization system, physical control, reconciliations, frequency of accounting statements, etc.), intervention of external advisors, etc. (Obert, 2019)

4. Assessment of the internal control system of the controlled company

The Auditor remains limited in his material resources in relation to the number of facts for which he must guarantee the regularity and sincerity. It is therefore in his best interest to first ensure the ability of the controlled company's accounting system to produce reliable financial statements.

To obtain sufficient security from the accounting system (or accounting and administrative organization) regarding the regularity and sincerity of the accounts it generates, it is up to the Statutory Auditor to pay particular attention to:

- Compliance with legal and regulatory forms;
- Assessment of the level of quality of internal control;
- Summary of the assessment of internal control.

4.1 Compliance with legal and regulatory forms.

The Statutory Auditor must ensure the maintenance, initialing and regular updating of legal and regulatory books and registers, namely (Decision 103/SPM/94, 1994) :

- the general journal, the inventory book, the payroll book, the journal book, the register of deliberations of General Meetings, the register of deliberations of the Board of Directors or Supervisory Board;
- any other register required by the laws and regulations in force;
- He also ensures the regular maintenance of the attendance register of the board of directors or supervisory board, as the case may be;
- He ensures compliance with the presentation and evaluation rules laid down by the Financial Accounting System and by professional plans;
- It ensures compliance with the fundamental concepts laid down by both the Financial Accounting System and the commercial code.

4.2 Assessment of the level of quality of internal control.

The Statutory Auditor assesses the ability of the audited company's systems and procedures to generate financial statements with a very high level of reliability. Internal control must be studied and evaluated through its main components. (Obert & Marie-Pierre, 2020) :

- **The organizational system:** the procedures must:
Define responsibilities, separation of duties, separation of functions, description of functions and the authorization system (people who can bind the company).
- **The information and documentation system:**
To be conclusive, the documentation and information system must provide for and include:
Regularly updated written procedures and procedure manuals.
- **The Evidence System:** This system must make it possible to obtain assurance that:
 - Only regular and appropriate transactions are authorized, initiated, executed and recorded.
 - All launch and execution or recording transactions are detected and corrected as soon as possible.
- **Material means of protection:**

Walls, doors, barriers, safes, safe rooms, protected accesses constitute direct means of protection against theft, loss, waste, etc.

In short, all means which tend directly or indirectly to protect the company's assets and its documents, to preserve its property.

➤ **Staff:**

A staff that is trained in the tasks entrusted to them and conscientious considerably increases the confidence of the Auditor in the financial statements submitted for his examination.

4.3 Synthesis of internal control application

The summary of the assessment of internal control must indicate:

- The anomalies depend on the function (and on the conception of the child) of the systems and processes;
- Possible incident on annual accounts;
- Incident on the control program;
- The commission for the accounts may be in a position to carry out the mission to conclude a review of the certification of the accounts, if the Internet controls the failures in the graves that indicate that the financial statements products are not accurate.

5. Mission planning

The auditor's objective is to plan the audit so that the engagement is carried out effectively. In this context, it is required to establish the audit strategy and a work program depending on the size of the entity and the volume of work to be carried out. (AAS 300, 2016) :

5.1 Establishment of a general audit strategy

The auditor responsible for the mission must establish a general audit strategy adapted to the mission, defining the scope, schedule and approach of the audit and providing guidelines for establishing a work program.

In establishing the overall audit strategy, the auditor should:

- Identify the characteristics of the mission that define its scope;
- Ensure the objectives of the mission in terms of the report to be issued in order to plan the audit schedule and the nature of the communications requested;
- Take into account the factors which, according to professional judgment, are important to guide the work to be carried out by the team assigned to the mission;

- Take into account the result of the preliminary work for planning the mission already carried out and, where applicable, determine whether the experience acquired on other missions carried out for the entity by the auditor is relevant in this case; and ensure the nature, timing and extent of the resources necessary to carry out the mission.

The audit strategy describes the general approach to the work, which includes:

- The scope, schedule and direction of the work;
- The materiality threshold(s) retained and the guidelines necessary for the preparation of the work program;

The auditor should update and modify the overall audit strategy as necessary during the audit.

5.2 Establishment of a work program

The auditor must establish a work program which must include a description:

- The nature, timing and extent of planned risk assessment procedures, determined;
- The nature, timing and extent of additional audit procedures that are planned at the assertion level;

The work program defines in more detail the nature and extent of the due diligence considered necessary, during the financial year, for the implementation of the mission plan to reduce the audit risk to a low and acceptable level.

The work program must serve as a guide for the Statutory Auditor throughout the mission and as a reference base for getting to know the company during subsequent missions.

The auditor should update and modify the work program as necessary during the audit.

6. Collection of evidence

The operation of collecting evidence is the basis of the legal audit mission which aims to obtain reasonable assurance that the financial statements taken as a whole do not contain significant anomalies, that these come from fraud or result from errors. To collect the evidence, the auditor must implement the procedures of the Algerian audit standard relating to evidence which addresses the auditor's obligations regarding the design and implementation of audit procedures with a view to obtain sufficient and appropriate evidence to reach reasonable conclusions on which to base its opinion. However, evidence may be collected throughout the performance of audit work such as initial audit engagements, account review, use

of surveys, use of external confirmations, use of written statements and use of analytical procedures (AAS 500, 2016):

6.1 Collecting evidence by monitoring opening balances

When checking opening balances as part of an initial audit mission, the auditor must gather sufficient and appropriate supporting evidence to provide assurance that (AAS 510, 2016)

- the closing balances of the previous financial year were correctly included in the reopening and do not contain any anomaly, having a significant impact on the financial statements of the current financial year;
- the appropriate accounting policies reflected in the opening balances have been consistently applied in preparing the financial statements for the current period;
- The impact of changes in methods has been accounted for appropriately and is correctly presented and provided with relevant information in these statements in accordance with the applicable accounting framework.

To achieve this, he must implement the following steps:

- Consult the most recent financial statements, as well as the previous auditor's report on these financial statements, if they exist, in order to obtain relevant information in relation to the opening balances. including the related information provided;
- Collect sufficient and appropriate evidence showing that the opening balances do not contain any anomalies having a material impact on the financial statements of the current period.
- Gather sufficient and appropriate audit evidence to determine whether the accounting policies reflected in the opening balances have been applied on a continuing basis in the financial statements for the current period, and whether the impact of changes in accounting policies has been accounted for appropriately and is subject to appropriate presentation and disclosure in the financial statements, in accordance with the applicable accounting framework.

6.2 Collecting evidence using surveys (or Sounding)

To base his opinion, the auditor is not required to examine all the information available in the entity to the extent that he can generally conclude on the basis of sampling based on the elements which are persuasive rather as conclusive, while using professional judgment and critical thinking when assessing the quality and

quantity of the evidence collected and, therefore, its sufficiency and appropriateness.

The selection of elements for testing purposes is critical to ensuring the reliability and relevance of the evidence to be collected. The means available to the auditor to select the elements, depending on the volume and quality of the sample, are: (AAS 530, 2018)

- Selection of all elements (exhaustive examination);
- The selection of specific elements;
- Surveys in accordance with the Algerian audit standards relating to audit surveys.

Implementing one of these means or a combination of these means may be appropriate depending on particular circumstances. The surveys implemented may be statistical or empirical based on the professional experience of the Auditor. The choice between the two types of survey depends on the professional judgment of the External Auditor and the degree of confidence he wishes to have in his general conclusions.

6.3 Collecting evidence using external confirmations

Requests for external confirmations are the process of obtaining direct external confirmation from a third party confirming an existing information or condition.

External confirmations are designed by the auditor and only provide relevant audit evidence after their assessment.

In order to obtain relevant and reliable evidence, the auditor must implement the procedures of the Algerian auditing standard relating to external confirmations which specify that the auditor must: (AAS 505, 2016) :

- Determine the information to be confirmed or requested. These include account balances, their components, and the terms of agreements, contracts or operations that an entity has concluded with third parties;
- Select appropriate third parties to confirm. Responses to confirmation requests provide more relevant and reliable audit evidence when the requests are sent to a manager who the auditor believes has knowledge of the information for which confirmation is sought;
- Design confirmation requests, ensuring that requests are addressed to the correct recipient and that they specify that responses must be returned directly;
- Proceed with sending requests to third parties, as well as their follow-up;

- Determine whether the results of external confirmation procedures provide relevant and reliable audit evidence or whether it is necessary to obtain additional audit evidence.

When evaluating the results of each of the external confirmation requests, the auditor can classify the results according to the following categories:

- Response received from the appropriate third party in which the latter expresses agreement with the information given in the confirmation request or provides the requested information without discrepancy;
- Response deemed unreliable;
- Non-response;
- Divergent response.

The auditor's assessment of the results of external confirmation procedures, taken into account with other audit procedures he has otherwise performed, can help him determine whether sufficient and appropriate audit evidence has been collected. or if additional supporting evidence is required.

6.4 Collecting evidence using written statements

Written representations are the information necessary for the auditor as part of the statutory audit of the entity's financial statements. Consequently, they are considered as probative elements.

Although written statements provide necessary audit evidence, they do not, by themselves, provide sufficient and appropriate audit evidence regarding each of the matters they address. Additionally, the fact that management has provided reliable written representations does not affect the nature or extent of other evidence that the auditor obtains regarding whether management has met its responsibilities or regarding specific assertions.

The auditor may obtain the written declarations by carrying out the following procedures: (AAS 580, 2016) :

- Request written representations from officers with appropriate responsibilities relating to the preparation of financial statements and knowledge of the matters involved.
- Request management to provide a written representation that it has fulfilled its responsibilities regarding the preparation of the financial statements in accordance with the applicable accounting framework (e.g. SCF), including, where applicable, the fair presentation of those -this, as specified in the terms of the mission letter;

- The auditor must request management to send him a written declaration confirming that it has provided him and given him access to all relevant information in accordance with the terms of the engagement letter;
- The auditor should request a written statement from management confirming that all transactions have been recorded and are reflected in the financial statements.

6.5 Collecting evidence using analytical procedures

Analytical procedures are a control technique which consists of assessing financial information based on its correlation with other financial and non-financial information originating or not from the accounts.

They include comparisons with previous or forecast data of the entity or similar entities, using simple or complex methods using sophisticated statistical techniques to identify and analyze significant variations or unexpected trends.

To collect relevant and reliable evidence, the auditor must implement the procedures of the Algerian auditing standard relating to analytical procedures which specify that: (AAS 520, 2017) :

- The auditor must assess the appropriate nature of a particular analytical procedure and its relevance for determined assertions. He must also ensure its effectiveness in detecting an anomaly which, taken in isolation or combined with others, could lead to that the financial statements contain material misstatements;
- The auditor must set the amount considered acceptable for any deviation between the recorded amounts and the expected values, beyond which he must put in place audit procedures in order to elucidate these variations and collect supporting evidence concerning the coherence or otherwise of these variations;
- The auditor should design and implement analytical procedures close to the completion of the audit work to help him base an overall conclusion that the financial statements are consistent with his knowledge of the entity.

When the analytical procedures lead the auditor to identify previously undetected risks, he assesses the need to complete the audit procedures he has carried out, by:

- Requesting information from management and gathering appropriate evidence to corroborate the responses obtained;
- Implementing other audit procedures deemed necessary in the circumstances.

6.6 Collecting evidence by auditing accounts

The objectives of this stage of the mission are to gather sufficient evidence to be able to express a reasoned opinion on the annual accounts. (Decision 103/SPM/94, 1994)

The extent and nature of the controls to be carried out on the accounts are largely dependent on the general knowledge of the company phase and the internal control assessment phase. The audit program must be lightened or expanded depending on the degree of confidence the auditor places in the accounting system, systems and procedures in place.

The control program can be drawn up on a specialized worksheet structured as follows (Obert, 2019) :

- List of checks to be carried out (classified by section of the annual accounts).
These controls must be detailed so that they can be carried out by employees;
- Extent of the sample taking into account the significance threshold;
- Indication of the date on which the check was carried out;
- A reference to the worksheet where the control is documented;
- The problems encountered: their indication is useful during supervision.

To obtain the evidence necessary to formulate his opinion, the External Auditor has several techniques that he must combine depending on the account or section controlled.(Obert & Marie-Pierre, 2020):

- Physical inspection and observation, which involves examining assets, accounts or observing how a procedure is carried out.
- Documentary review;
- Arithmetic checks;
- Analyses, estimates, reconciliations and cross-checking;
- Analytical examination;
- Verbal information obtained from the company's managers and employees;

These controls are to be applied by tests (surveys).

Account control must ensure that all the elements that make up an account are justified: the control must be structured as follows:

- Account analysis;
- Account justification;
- Detection of anomalies or irregularities;
- Conclusion of the control.

These checks are carried out by sampling.

To be able to give his opinion, the Statutory Auditor must confirm that the annual accounts are in agreement with his conclusions and his knowledge of the

company, that they correctly reflect the decisions of the managers and give a faithful image of its activity and its financial position.

The balance sheet, income statements and annexes consistent with the compatibility data, are presented according to the accounting principles and regulations in force and take into account events subsequent to the closing date of the financial year.

7. Preparation of the final report and additional special reports

The final statutory audit report concludes the engagement and allows the auditor to express, in writing, his opinion on the financial statements and other published documents taken as a whole. (Executive Decree 11-202, 2011)

The regulations thus provide for the necessity of issuing various reports following the completion of a legal audit mission, therefore, in accordance with the provisions of article 25 of law 10-01 and Executive Decree 11- 202 cited above, Legal Auditor's mission results in the establishment of:

- A certification report with or without reservation of the regularity, sincerity and faithful representation of the annual documents, or possibly the refusal of certification duly justified; Possibly a certification report on the consolidated accounts or combined accounts;
- A special report on regulated agreements;
- A special report on the total amount of the five or ten highest remunerations;
- A special report on the special advantages granted to staff;
- A special report on the evolution of the result over the last five financial years and the result per share or share;
- A special report on internal control procedures;
- A special report on business continuity;
- A special report relating to the holding of guarantee shares;
- A special report relating to the capital increase operation;
- A special report relating to the capital reduction operation
- A special report relating to the issue of other securities;
- A special report relating to the distribution of interim dividends
- A special report relating to the transformation of joint stock companies;
- A special report relating to subsidiaries, holdings and controlled companies.

Among these reports cited above, we will focus only on the general certification report where the auditor must implement the diligence of the Algerian audit standard relating to the basis of the opinion and report of audit of the financial statements which addresses the auditor's obligation to form an

opinion on the financial statements based on an evaluation of the conclusions drawn from the evidence collected in the preceding steps, and clearly express this opinion in a written report which describes also the basis of it. (AAS 700, 2016)

The Auditor must, on the basis of the diligence he has developed:

- Form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable accounting framework;
- Conclude whether or not it has obtained reasonable assurance that the financial statements taken as a whole do not contain material misstatements;
- When the auditor reaches the conclusion that the financial statements are prepared, in all their material aspects, in accordance with an applicable accounting framework, he expresses an unmodified opinion;
- When the auditor concludes that, on the basis of the evidence collected, the financial statements taken as a whole contain material misstatements, or he is not able to collect sufficient and appropriate evidence enabling him to conclude that the financial statements taken as a whole do not contain any significant anomalies, it expresses a modified opinion.

8. Revelation of criminal acts to the public prosecutor

The commercial code provides that the auditor must disclose to the public prosecutor the criminal acts of which he becomes aware during the accomplishment of his mission. (SADI & MAZOUZ, 2001)

Through this mission reinforced by that where the auditor is required to report irregularities and inaccuracies noted at the general meeting, the legislator wanted to protect and defend shareholders, employees and any third party in relation to the company against any contrary action. to their interests.

This mission also has a preventive nature because it promotes normalization and the healthy conduct of social affairs.

By respecting this diligence, the auditor allows the Public Prosecutor to assess the facts brought to his attention and to initiate the procedure he deems necessary.

The criminal facts to be revealed are therefore those which are directly linked to social life and which result in: (Decision 103/SPM/94, 1994)

- Offenses concerning commercial companies (criminal provisions of the commercial code supplemented and modified by Article 12 of Legislative Decree No. 75-59 establishing the commercial code.
- Offenses provided for by other texts having an impact on the annual accounts.

Upon discovery of a fact, the auditor carries out the investigations that he deems necessary having regard to the circumstances with a view to acquiring a firm conviction of the criminal nature of the fact to be revealed and in particular:

- Ensure that the revealed fact is significant.
- Ensure that the fact does not constitute a simple error or omission.
- Identify the consequences of the fact and the aim pursued.
- Identify the people who bear responsibility.

9. Preparation and retention of audit documentation

Documentation refers to the documents prepared or obtained by the auditor and kept in the course of carrying out his mission. They consist of the audit procedures performed, the relevant evidence collected and the conclusions reached by the auditor. (AAS 230, 2018)

The permanent nature of the mission of Statutory Auditors requires the latter to keep two basic documents necessary, even essential, for the accomplishment of its duties, which are the **permanent file** and the **annual file**. (SADOK, 2007)

Maintaining these documents allows the Statutory Auditor, among other things:

- To structure its control approach and ensure that all the elements necessary to formulate a reasoned opinion on the annual accounts submitted for its examination are brought together;
- To have a permanent battery of information of a lasting nature on the company controlled throughout the duration of the mandate and possibly that of its renewal;
- To preserve and provide, if necessary, proof of the work carried out, the diligence and the means implemented to have arrived at formulating an opinion on the degree of regularity and sincerity of the annual accounts;
- To comply in its approach with accepted professional standards both regionally and internationally.
- Supervising the work carried out by employees.

These documents also allow an experienced auditor who has not previously participated in the mission to understand: (AAS 230, 2018)

- The nature, timing and extent of audit procedures implemented in order to comply with AAS standards and the requirements of applicable legal and regulatory texts;
- The results of the audit procedures implemented and the evidence obtained;

- The significant matters identified during the audit, the conclusions on those matters, and the significant professional judgments required to reach those conclusions.

Once the final annual audit file has been compiled, the auditor must not delete or remove any element of documentation, whatever its nature, before the end of the prescribed retention period. As for the permanent file, it can be updated in the case of recurring audits.

10. Conclusion

After having dealt with the previous axes, we arrived at the following conclusions:

To form his opinion, the auditor must obtain reasonable assurance that the financial statements taken as a whole do not contain any significant anomalies, whether due to fraud or resulting from errors. To achieve this, he must implement the due diligence defined by Decision No. 103/SPM/94 relating to the professional due diligence of the auditor and the due diligence required by the Algerian auditing standards which recommend that the auditor exercise his professional judgment and to demonstrate critical thinking during the legal audit process by respecting the following:

- Before taking office, when approached for a mandate, the Auditor must not give his acceptance lightly without having first implemented certain procedures allowing him to:
 - ✓ To avoid falling prey to incompatibilities and legal and regulatory prohibitions;
 - ✓ To ensure the feasibility of the mission, particularly with regard to the technical and human capacities of the firm;
 - ✓ To agree with management on the terms of the audit mission.
- The auditor, once taking office, must:
 - ✓ Take a general knowledge of the controlled company to clearly perceive the economic, financial, legal and accounting realities of the controlled company, to determine the general risks inherent in the very particularities of the controlled company which could have a significant impact on the accounts and on the orientation and planning of the mission;
 - ✓ Examine and evaluate the internal control system of the controlled company to first ensure the ability of the accounting system to produce reliable financial statements;

- ✓ Plan your mission by establishing a general audit strategy and develop a work program that serves as a guiding principle throughout the mission.

The auditor collects sufficient and appropriate evidence to reach reasonable conclusions on which he bases his opinion by:

- ✓ Gathering sufficient and appropriate evidence showing that the opening balances do not contain any anomalies having a material impact on the financial statements of the current period.
 - ✓ Using surveys to have a reasonable basis from which to draw conclusions about the population from which the sample is drawn;
 - ✓ Using external confirmation procedures for confirmation of existing information or conditions directly from third parties;
 - ✓ obtaining written declarations from management confirming that it considers that it has fulfilled its responsibilities relating to the preparation of the financial statements as well as the completeness of the information provided to the auditor;
 - ✓ Implementing analytical procedures which consist of assessing financial information based on its correlation with other financial and non-financial information originating or not from the accounts.
- The auditor must form an opinion at the end of his mission based on an evaluation of the conclusions drawn from the evidence collected in the previous stages;
 - Make its opinion and findings known to the bodies of the controlled company (Managers and Shareholders) by preparing a report on the financial statements and making the required communications based on the conclusions of its work.

Recommendations:

This study can be crowned by the following recommendations:

- Given the importance of the legal audit, it is recommended to establish a procedures manual concerning all the stages of the auditor's approach which will serve as a guide for future auditors and students of accounting and auditing. .
- It is necessary to update the professional diligence of the auditor annexed to decision No. 103 / SPM / 94 of 02/02/1994 in accordance with law 10-01 of 06/29/2010 because they were in accordance with the repealed law No. 91-08 of 04/27/1991;

- We also recommend that the NAC (National Accounting Council) relaunch the publication of the rest of the AAS standards (Algerian Auditing Standards) because the 16 standards published since 2018 make references to the 20 remaining but not yet published standards.

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