

**Comparative study between the International Standard on Auditing 700 and the Algerian Standard on Auditing 700  
(Comparative study on Almarai Company and Biopharm Company)**

**Azouaou Ahmed Rami<sup>1 \*</sup>, Touirat Rabeh<sup>2</sup>**

<sup>1</sup> University of M'Sila (Algeria), Economic strategies and policies  
Laboratory, [azouaou.ahmedrami@univ-msila.dz](mailto:azouaou.ahmedrami@univ-msila.dz)

<sup>2</sup> University of M'Sila (Algeria), Economic strategies and policies  
Laboratory, [rabeh.touirat@univ-msila.dz](mailto:rabeh.touirat@univ-msila.dz)

**Received:** 29/05/2022

**Accepted:** 21/06/2022

**Published:** 30/06/2022

**Abstract:**

This study aims to clarify the difference between the international standard on auditing 700 and the Algerian standard on auditing 700, by summarizing the most important information provided by those two standards, extracting the differences between those two standards and explaining those differences by comparing the auditor's report of two listed Companies. The results of this study clarify that there is some similarities between those standards in some sections especially in the auditor's opinion section, but the content of the auditor's report provided by those two standards is much different, which makes the auditor's report provided by the International standard on auditing 700 more appropriate for the users of the auditing reports.

**Keywords:** The International standard on auditing 700, The Algerian standard on auditing 700, Auditor's report, Listed Companies, Auditor's opinion.

**JEL Classification :** M40, M42

## **Introduction**

The economic development in the world led to the apparition of the great and giant companies, those companies need significant funds to continue their exercise and development, the funds are brought from shareholders or from financial institutions.

The appearance of the auditing had the objective to preserve the funds brought by the shareholders and the financial institutions, so the audit work ends by forming an opinion about the financial situation provided by financial statements of the company, and this opinion is expressed into an audit report presented to shareholders that gives them how the audit procedures were done and the real financial situation of the company.

To unify the auditing work in all around the world, the international standards on auditing (ISA) were issued by the international accounting standards board (IAASB), one of those standards named ISA 700 “Forming an opinion and reporting on financial statements” in objective to explain the preparation of the auditor’s report.

In objective to keep up with the auditing development, Algeria like all countries over the world issued the Algerian standards on auditing in accordance with the international standards on auditing in order to develop the auditing work inside the country, and one of those standards named ASA 700 has the same objective as ISA 700.

Is the Algerian standard on auditing 700 conform to the international standard on auditing 700?

## **Objectives**

The objectives of this study are as follows:

- Knowing the content of the international standards on auditing “Forming an opinion and reporting on financial statements” ISA 700.
- Knowing the content of the Algerian standard on auditing “Forming an opinion and reporting on financial statements” Asa 700.
- Clarifying the differences between ISA 700 and 700.
- Explaining the appropriateness of the auditor’s report according to ASA 700 for the users in comparison with the auditor’s report in ISA 700.

## **Structure**

The study contains four axes:

- International standard on auditing (700) “Forming an opinion and reporting on financial statements” ISA 700.
- Algerian standard on auditing 700 “Forming an opinion and reporting on financial statements” ASA 700.
- Comparison between ISA 700 and ASA 700.

- Comparison between the auditor's report of a listed company in Saudi Arabian exchange (Almarai) and a listed company in the Algerian exchange (Bio Pharm).

## **1- International standard on auditing (700) “Forming an opinion and reporting on financial statements”**

### **1-1- Scope**

This ISA clarifies the responsibility of the auditor to form an opinion on financial statements, the auditor's report form and its content at the end of auditing on financial statements.

ISA (700) is related to ISA (800) “Special considerations when financial statements are prepared in accordance with a special purpose framework” and ISA (805) “special considerations consideration relevant to an audit of a single financial statements or a specific element, account or item of a financial statements”, the auditor has to make an opinion when the entity operates on what came in those two standards.

This ISA works on giving consistency and comparability to the auditor's report, which increases the value of the audit report and makes the report's information more relevant to users.

The objective of the is forming an opinion on the financial statements, and expressing that opinion on a written report. (IAASB, 2021, pp. 727-728)

This standard give the definition of certain terms in purpose to make this ISA understandable to users, the definition of those terms presented as follows: (IAASB, 2021, pp. 728-729)

- General purpose of the financial statements: the preparation of the financial statements conforms to the general-purpose framework;
- General purpose framework: to provide a common financial information needed by a wide range of users;
- Unmodified Opinion: an unmodified opinion should be issued when the auditor concludes that the financial statements are prepared in all material respect; conform to the applicable financial reporting framework;
- Financial statements have to be prepared, presented structured conform to the financial framework applied.

### **1-2 Requirements**

#### **1-2-1 Forming an opinion on the financial statements**

The auditor forms an opinion on financial statements, whether those statements are prepared in all material respects, conform to the financial reporting framework.

In order to form that opinion, the auditor shall obtain reasonable assurance who reveals that the financial statements are free from material statements due to fraud or error.

Also the auditor shall evaluate if the financial statements are prepared in all material respects, conform to the applicable financial reporting framework, by taking into consideration the quantitative aspects of the accounting practices, as well the indicators of potential bias judgments in management.

The evaluation shall include the financial statements presentation when those statements are prepared with a fair presentation framework, this evaluation shall consider overall presentation, structure and content of those financial statements, as well the financial statements indicate transactions and events to achieve a fair presentation. (IAASB, 2021, pp. 729-730)

### **1-2-2 Form of the opinion**

Expressing an unmodified opinion when the auditor concludes that the preparation of financial statements is conform to the financial reporting applied, with all material respects.

The auditor has to modify his opinion conform to ISA 705 when he concludes that the financial statements are not free of material misstatements, or the sufficient audit evidences cannot be obtained, which clarify that the financial statements are free of material misstatements.

When the financial statements are prepared with requirements of a fair presentation framework and those statements do not achieve fair presentation, the auditor has to discuss the problem with management, modifying the opinion depends on the requirements of the financial framework applied and how matter is resolved. (IAASB, 2021, p. 731)

### **1-2-3 Auditor's report**

The auditor's report content as follows:

#### **a- Title**

The title indicates that the report is an independent auditor's report. (IAASB, 2021, p. 731)

#### **b- Addressee**

The auditor shall address the report with an appropriate way conform to the terms of the engagement. (IAASB, 2021, p. 731)

#### **c- Auditor's opinion**

The auditor's opinion should be included in the first section of the report. The opinion section shall include the identification of the audited entity, the declaration that the financial statements were audited, the title of each financial statements audited, the period covered by each financial statements and refer to the notes as well as the significant accounting policies.

Identifying the origin jurisdiction of the financial reporting framework applied when the IFRS or IPSAS framework is not applied. (IAASB, 2021, pp. 731-732)

**d- Basis for opinion**

The auditor shall mention that the audit was done conform to international standards on auditing, also, the auditor has to include that he is independent of the entity and the audit evidence obtained is sufficient and appropriate for the auditor's opinion basis. (IAASB, 2021, pp. 732-734)

**e- Going concern**

The application of the going concern basis in accordance to ISA 570 should be determined by the auditor.

After carrying out the necessary additional procedures, obtaining the information required and the management's plan effect was considered. The auditor has to determine that the questions raised about the going concern basis have been resolved. (Hayes , Wallage, & Gortemaker, 2014, p. 482)  
The going concern evaluations procedures example as follows: (I.Lessambo, 2018, p. 253)

- Making some analytical procedures;
- Reviewing the subsequent events;
- the compliance of debt and loan agreements terms should be reviewed;
- The board of directors and stockholders minutes of meeting should be read;
- Inquiring the legal counsel of the entity about the assessments, claims and litigations;

If the questions about the going concern are not resolved, the auditor has to disclose in his report, the conditions that raise doubt about the ability of the entity to continue its operation in the future. (Hayes , Wallage, & Gortemaker, 2014, p. 483)

**f- Key audit matters:**

The key audit matters should be communicated by the auditor in accordance with ISA 701, those audit matters which are determined by the professional judgment of the auditor, are of most significant to the audit in the current period, the auditor describes the key audit matters in the report relying to his professional judgment, and there will be a variation among audit reports. (A.Arens, J.Elder, S.Beasley, E.Hogan, & C.Jones, 2021, p. 626)

**g- Other information:**

This ISA mentions that the auditor shall report the other information conform to ISA 720 "The auditor's responsibilities relating to the other

information”.

The other information refers to information, whether financial or non-financial included in the annual report of the entity, and in the section of other information in the audit report, the auditor mentions that he only reads the information and he consider the consistency of the other information with the financial statements, and without expressing any form of assurance conclusion on the other information. (A.Arens, J.Elder, S.Beasley, E.Hogan, & C.Jones, 2021, p. 626)

**h- Responsibilities for financial statements:**

The report shall contain a heading section as “Responsibilities for financial statements”, this section describes the management’s responsibility for preparing financial statements conformably to financial reporting framework applied, and those financial statements are free of material misstatements due to fraud or errors, assuring the application of the going concern basis to give the ability for the entity to continue its activity. (IAASB, 2021, pp. 733-734)

**i- Auditor’s responsibilities for the audit of the financial statements:**

The auditor’s report shall contain a section heading as “Auditor’s responsibilities for the audit of the financial statements”, this section contains the auditor’s objectives, and the misstatements found can arise from fraud and errors.

In addition, the auditor has to: (IAASB, 2021, pp. 734-737)

- Exercise professional judgments and maintain professional scepticism all over the audit;
- Describe the audit by identifying the material misstatements risks due to fraud or errors; establishing an audit procedures for those risks; and getting sufficient audit evidence to form a basis for the auditor’s report;
- Understand the internal control in objective to plan an appropriate audit procedures;
- Evaluate the accounting policies, accounting estimates, related disclosures made by management if they are appropriate;
- Evaluate the application of going concern basis to the audit evidence obtained
- Evaluate the overall presentation, content and structure of the financial statements if the financial statements are prepared conform to fair presentation.

**j- Engagement partner name:**

The auditor shall include the engagement partner name in his report. (IAASB, 2021, p. 738)

**k- The auditor's signature:**

The auditor has to sign the audit report. (IAASB, 2021, p. 738)

**l- The address of auditor:**

The location where the auditor practices his exercise should be mentioned in the auditor's report. (IAASB, 2021, p. 738)

**m-Date of the auditor's report:**

The date of the auditor's report has to be after the obtaining of sufficient and appropriate audit evidence, and after the preparation of all the statements including financial statements.

The authority shall assert the responsibility for the financial statements.

In the end, this ISA proposes some copies of different auditor's report and the expressions in each step of the report that helps the auditor to form his report. (IAASB, 2021, p. 738)

**2- Algerian standard on auditing 700 "Forming an opinion and reporting on financial statements" ASA 700**

**2-1 The objective of ASA 700**

This ASA has objective to clarify: (CNC, 2016, p. 3)

- The obligation of the auditor to form an opinion over financial statements;
- The form and the content of the auditor report when the audit was done according to the ASA, and reached to an unmodified opinion.

The unmodified opinion was defined by this standard as an opinion expressed by the auditor when he concludes that the financial statements were established in all significant aspects and conform to the financial reporting framework. (CNC, 2016, p. 3)

**2-2 Auditor's objective**

Within this ASA the auditor objectives are as follows: (CNC, 2016, p. 3)

- Making an opinion on financial statements by evaluating the conclusions extracted from collected evidences;
- Expressing clearly this opinion into written opinion who describes the foundation of this opinion.

### **2-3 Opinion basis about financial statements**

According to audit procedures developed, the auditor has to: (CNC, 2016, p. 3)

- Form an opinion whether the financial statements were established in all their significant aspect, and conform to the financial reporting framework applied;
- Conclude if he obtained or did not obtain a reasonable assurance, which confirms that the financial statements are free of significant anomalies.

### **2-4 Form of the opinion**

The form of the opinion according to ASA 700 as follows: (CNC, 2016, p. 3)

- The auditor expresses an unmodified opinion when he concludes that the financial statements were established in all their significant aspects, conform to financial reporting framework applied;
- The auditor expresses a modified opinion on the audit report conform to ASA 705, when the audit evidences obtained show that financial statements contain significant anomalies, or the auditor cannot obtain sufficient and appropriate evidences who permit to conclude that financial statements are free of significant anomalies.

### **2-5 Auditor's report**

The auditor report has to take a written form and contains: (CNC, 2016, p. 4)

- A title who indicates clearly that it is an independent auditor report;
- Report recipient;
- An introduction paragraph who mentions the audited entity identification, financial statements audited, a summary of accounting principal methods used by the audited entity and other explicative information, closing date or the period covered by each of audited financial statement.

#### **2-5-1 The description of the manager's responsibility**

Managers responsibility has to be relative to financial statements establishment conform to the accounting framework, as the intern control who estimates been necessary to permit a financial statements establishment free from significant anomalies. (CNC, 2016, p. 4)

#### **2-5-2 The description of the auditor's responsibility**

The responsibility of the auditor has to be relative to the expression of an opinion on financial statements based to his audit and this audit was done according to the Algerian standards on auditing, also the auditor has to indicate that those standards require him to respect the ethical rules, and he planned and realised an audit to obtain a reasonable assurance who clarifies

that financial statements do not contain significant anomalies. (CNC, 2016, p. 4)

### **2-5-3 The description of an audit**

The description of an audit with indicating: (CNC, 2016, p. 4)

- An audit consists to follow procedures for purpose to collect evidences concerning amounts and information provided by financial statements;
- The choice of followed procedures, also the evaluation of risks of the auditor judgment.

### **2-5-4 The auditor report date**

The auditor must date his report to not anterior date which he collected sufficient and appropriate evidences to found his opinion on financial statements. (CNC, 2016, p. 4)

### **2-5-5 The auditor address**

The auditor report has to indicate the address where auditor carries out his activity. (CNC, 2016, p. 4)

## **2-6 Additional information presented with the financial statements**

When the additional information presented with the financial statements, which are not required by the accounting framework applied, the auditor has to evaluate that this information are clearly differentiated from the audited financial statements.

In the otherwise, the auditor has to require the management to modify the way, which this additional information is presented. If the management refuses the request, the auditor should explain on the audit report that this additional information is not audited.

However, the additional information, which is not required by the financial reporting framework applied but it presents a part of financial statements and cannot be differenced due to the nature and the way which is presented, should be covered by the auditor report. (CNC, 2016, p. 5)

## **3- Comparison between ISA 700 and ASA 700**

### **3-1 Scope**

- ISA 700 gives the responsibility of the auditor to form an opinion, the form and the content of the opinion.
- ISA 700 is flexible and related to other standards, so this standard provides the other standards, which it is related with:
- ISA 701 “Communicating key audit matters in the independent auditor’s report”;
- ISA 705 “Modification of the opinion in the independent auditor’s report”;

- ISA 706 “Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report”;
- ISA 800 “Special considerations – audits of financial statements prepared in accordance with special purpose framework”;
- ISA 805 “Special considerations – audits of single financial statements and specific elements, accounts or items of financial statements”.

Even the ASA 700 is flexible and related to other standards, but ASA 700 do not mention any of those standards except ASA 705 who speaks about the modified opinion, but this standard is not issued yet.

### **3-2 Definitions Provided**

To make this standard more understandable, ISA 700 gives some definitions of several terms, also, to make its application appropriate and efficient, those terms presented as follows:

- General purpose of the financial statements;
- General purpose framework;
- Fair presentation framework;
- Compliance framework;
- Unmodified opinion;

ASA 700 do not give any definition of any term to make the standard understandable for the users.

### **3-3 Forming an opinion on the financial statements**

Those two standards obligate the auditor to form an opinion on the preparation of the financial statements in all material respects and free from significant misstatements.

ISA 700 provides how to evaluate the preparation of the financial statements if it is in accordance with the applicable financial framework:

- The accounting policies applied are appropriately disclosed in the financial statements, and presented with understandable manner;
- The consistency and the appropriateness of the accounting policies applied with the financial framework applied;
- The management made reasonable accounting estimates and related disclosure;
- The financial statements contain a relevant, reliable, comparable and understandable information.
- The disclosure provided by the financial statements shall be adequate to permit the users understand the material transactions and events effect.

ASA 700 do not give any clarification about how to evaluate the financial statements preparation, and which particular elements should evaluated.

### **3-4 Form of opinion**

ISA 700 and ASA 700 give the same form of opinion, on both of opinion types, when the auditor expresses an unmodified or a modified opinion, but ASA 705 is not issued yet, that makes the application of the modified opinion in accordance with ISA 705, due to this deficiency, the ASA 700 is incomplete.

In the example provided by ASA 700 about the form of the opinion, the auditor shall express his opinion as follows: (CNC, 2016, p. 6)

In our opinion, the financial statements of the company x for the exercise December 31, 20xx, are regular and sincerely presented, in all their significant aspects, and the financial situation of the company x in December 31, 20xx, and its financial performance and cash flow are conformed to the financial reporting framework.

### **3-5 Auditor's report**

There are some differences between those two standards in content of the auditor's report, especially in the going concern, key audit matters, managements and auditor's responsibility.

#### **3-5-1 Going Concern**

In spite of the importance of the going concern basis for the users of financial statements and auditor's report to know the capacity of the entity to stay in activity for longest period possible, the ASA 700 do not provide the necessity to mention this important basis for accounting in the auditor's report.

#### **3-5-2 Key audit matters**

Because of the absence of an Algerian standard on auditing special for "key audit matters", ASA 700 do not mention this step when the auditor prepares the audit report.

#### **3-5-3 Responsibilities for the financial statements**

Both of those to standards mention the responsibility of management for the financial statements, especially about the preparation of those financial statements conform to the applicable financial reporting framework and free from material misstatements due to fraud or error, also for the internal control and its necessity for the preparation of the financial statements.

However, the ASA 700 do not mention the necessity of the entity ability to continue, in accordance with the going concern basis for accounting, and if the going concern basis are appropriate and well disclosed in the financial statements. In the example given by ASA 700 about management responsibility for the financial statements, only the fair

presentation of the financial statements conform to financial reporting framework with no significant anomalies was mentioned.

### **3-5-4 Auditor's responsibilities for audit of the financial statements**

ISA 700 and ASA 700 determine the responsibility of the auditor for the audit of the financial statements, expressing an opinion about the preparation of the financial statements, and obtaining a reasonable assurance that the financial statements are free from material misstatements due to fraud or error according to the audit evidence obtained.

However, ASA 700 in the example of the auditor's responsibility provides an understanding about the internal control, and the evaluation of the appropriateness of the accounting policies used, the accounting estimates if they are reasonable or not and related disclosures made by management in accordance with ISA 700.

In addition, ASA 700 do not mention the responsibility of the auditor to evaluate the appropriateness of management when using of going concern basis for accounting.

ISA 700 provides some examples about the auditor's reports who clarify each situation could face the auditor when he expresses the opinion on financial statements, but ASA 700 gives only one example of the auditor's report when the auditor expresses an unmodified opinion on the financial statements according to the Algerian standards on auditing.

### **3-6 Similarities**

The similarities are as follows:

- The objectives of those standards are totally similar;
- The form of the an unmodified opinion;
- Some sections of the auditor's report are similar, tittle, addressee, the opinion section, auditor's address, date of the auditor's report;
- Supplementary information presented with the financial statements.

## **4- Comparison between the auditor's report of a listed company in Saudi Arabian exchange (Almarai) and a listed company in the Algerian exchange (Bio Pharm)**

### **4-1 Biopharm Company**

The auditor's report of Biopharm Company was formed in accordance with the Algerian standard on auditing ASA 700 "Forming an opinion and reporting on financial statements", and the content of this report was as follows: (Biopharm, 2022)

#### **4-1-1 Introduction**

- A title which indicates that is an independent auditor's report;
- A section for the addressee (shareholders);

- A paragraph indicating the mission assigned to the auditor, Consolidated accounts control of the society, assessment justifications, specific verifications required by law;

The Financial statements audited by the auditor.

#### **4-1-2 Management's responsibility for the financial statements**

The auditor mentioned the responsibility of management for the preparation of the financial statements in accordance with the financial reporting framework, and the necessity of the internal control to establish a consolidated financial statement free of material statements due to fraud or errors.

#### **4-1-3 Auditor's responsibility**

In this section, the auditor clarifies his responsibility and the objectives of his mission, as follows:

- The audit procedures were performed according to the profession's standards, those standards require ethical rules for the auditor, planning an audit in objective to obtain a reasonable assurance that the consolidated financial statements do not contain a material misstatements;
- Audit procedures to obtain effectives about amounts and information provided by the consolidated financial statements, the choice of the procedures applied, the evaluation of material misstatements risks of the consolidated financial statements due to fraud or errors. Taking into consideration the internal control of the company for establishing appropriate presentation of the consolidated financial statements, according to the evaluation of risks.
- An audit based on the assessment of the appropriateness of the accounting methods and the accounting estimations made by the management for the presentation of consolidated financial statements.

#### **4-1-4 Auditor's opinion**

The consolidated financial statements of Biopharm Company are regular and gives a fair picture of the financial situation of the company. An unmodified opinion was issued.

#### **4-1-5 Assessments justification**

##### **a- Accounting principles**

The accounting principles were correctly applied by the company for the presentation of the consolidated financial statements.

##### **b- Perimeter and consolidation methods**

Clarifying the group's components, the consolidation method and the objective of the audit work for the group.

### **c- Consolidated financial statements**

The consolidated financial statements were conformed to the financial reporting framework applied.

#### **4-1-6 Specifics verifications**

Specifics verifications were planned for the information in the report about the management of the group, in accordance with the financial reporting framework applied.

In the end of the report, the address where the auditor practices his activity was mentioned, the signature and the report's date.

#### **4-2 Almarai Company**

The auditor's report of Almarai Company was formed in accordance with the international standards on auditing, this company is a listed company in Saudi Arabian exchange, and Saudi Arabia adopted the international standards on auditing to control the audit work in the country.

The content of the auditor's report as follows: (Almarai, 2022)

##### **4-2-1 The opinion**

The auditor's opinion expression about the financial statements, as follows:

- The consolidated financial statements presented fairly, in all material respect;
- The consolidated financial statements were prepared in according with the international financial reporting standards (IFRS), and other standards and pronouncements issued by the Saudi organisation for certified public accountants (SOCPA).

The different consolidated financial statements audited was mentioned.

##### **4-2-2 Basis for opinion**

In this section, the audit procedures were applied in accordance with the international standards on auditing, that are endorsed in Saudi Arabia, and the evidence obtained is sufficient and appropriate to provide a basis for opinion.

##### **4-2-3 Key audit matters**

Key audit matters was shared, which the auditor estimated to help for a successful audit and the key audit matters was as follows:

- Carrying value of goodwill;
- Carrying value of biological assets;
- Attendance at inventory counts.

##### **a- Carrying value of goodwill**

The auditor explained the choice of goodwill value as key audit matters, the amount of goodwill reached 942.3 million Saudi Riyals, this

amount was considered significant by the auditor's professional judgment, he shared the procedures for auditing the management's assessment of goodwill by assessing the methodology used by management to determine a recoverable value, testing the accuracy and relevance of the input data used, reviewing the methodology applied and performing sensitivity analyses over the key assumptions.

**b- Carrying value of biological assets:**

The auditor clarified why he considered that the value of biological assets as key audit matters, this asset is the most important element in company's assets due to type of the company's exercise, the amount of biological assets reached 1482 million Saudi Riyals, the professional judgment of the auditor made the biological assets as key audit matter.

The procedures followed to the carrying of value biological assets were clearly explained.

**c- Attendance at inventory counts:**

Due to the significant overall inventory balance and the requirement of the international standards on auditing to the attendance at inventory counts, the auditor considered that attendance at inventory counts is a key audit matter, also, the amount of inventory reached 4705 million Saudi Riyals and it was considered significant by the auditor's professional judgment.

The auditor gave the procedures performed for auditing the attendance at inventory counts.

**4-2-4 Other information**

The management was informed that the auditor is responsible for other information, and the work of the auditor is just to read the other information to obtain a reasonable assurance that the consolidated financial statements are free from material misstatements.

The auditor's opinion on the consolidated financial statements did not cover the other information.

**4-2-5 Responsibilities of management for the consolidated financial statements**

Management is responsible for the preparation and the fair presentation of the consolidated financial statement in accordance with international financial reporting standards (IFRS) and the other standards issued by the Saudi organisation for certified public accountants (SOCPA), also, the responsibility of management for establishing an internal control for the preparation of consolidated financial statements free of material misstatements due to fraud or errors.

The management's responsibility for respecting the going concern basis in preparation of the consolidated financial statements.

#### **4-2-6 Auditor's responsibilities for the audit of the consolidated financial statements:**

The auditor's responsibilities were the obtaining a reasonable assurance whether the consolidated financial statements are free from material misstatements due to fraud or error.

The auditor mentioned that the audit would be on a professional judgment and professional scepticism, also:

- Performing an appropriate audit procedures and obtaining a sufficient and appropriate evidence to assess the risks of material misstatements of the consolidated financial statements and to provide a basis for opinion;
- Obtaining an understanding of the internal control in order to design the audit procedures;
- Evaluating the appropriateness of the accounting policies and the accounting estimates made by management;
- Evaluating the respect of the going concern basis;
- Obtaining sufficient evidence to form an opinion on the consolidated financial statements.

In the end of the report, the address where the auditor performs his exercise, the date of the report and his signature were mentioned.

#### **4-3 Analysing the difference between the reports**

Each of these two auditor's report contains the addressee, opinion section, consolidated financial statements audited, management's responsibilities on preparing the consolidated financial statements, auditor's responsibilities for the audit of the consolidated financial statements, basis for opinion, auditor's address, date of the report and auditor's signature.

However, Almarai company audit report contains some additions, especially in responsibilities sections and the key audit matters.

In key audit matter section in the auditor's report of Almarai Company, the auditor explained the audit procedures of the most important elements in the consolidated financial statements, this report's section allow users to understand the audit procedures and how the auditor concluded the opinion, however, in the auditor's report of Bio pharm Company there is no section for key audits matter.

In the other information section in the auditor's report of Almarai Company, the auditor mentioned that is the responsibility of management to prepare the other information, and the auditor just uses this information to understand the preparation and the presentation of each item of the consolidated financial statements, and this section helps users to understand

from where the auditor obtained some information for auditing the items, but this section is not provided by the auditor's opinion of Bio pham Company.

In the section of management's responsibilities on preparing the consolidated financial statements in the Almarai Company auditor's report, the auditor mentioned the obligation of management to respect the going concern basis. However, this obligation is not asserted by the auditor's report of Bio pharm Company.

In the section of the auditor's responsibilities for the audit of the consolidated financial statements in the auditor's report of Almarai Company, the auditor asserted the necessity for auditing the going concern basis, that makes the users of the auditor's report confident that the company respects the continuity of the exploitation, but the auditor's report of Bio pharm Company do not mention the necessity of the going concern basis for opinion.

When preparing the auditor's report of Bio pharm Company, the auditor added some information provided by ISA 700 in the report to make it more useful for users.

### **Conclusion**

The auditor's report represents a certainty for the audit report users, which gives them the assurance about the financial situation of the entity, to achieve this auditor's report objective, the international standard on auditing ISA 700 "Forming an opinion and reporting on financial statements" was issued to clarify the preparation of the auditor's report and giving it the appropriateness character for the users.

Algeria like all the countries in the world issued an Algerian standard on auditing ASA 700 "Forming an opinion and reporting on financial statements" in accordance with the International standards on auditing in objective to keep up the with audit's development in the world.

This study provided a comparison between those two standards, and the content of the auditor's report prepared in accordance with ISA 700 and the auditor's report prepared in accordance with ASA 700.

The results of this study are as follows:

- The Algerian Standard on Auditing 700 issued in accordance with the International Standard on Auditing 700, but this ASA 700 is much reduced and do not contain the major of the ISA700 content (Going concern, key audit matters and the other information);
- ASA 700 needs more definitions about some terms to make the standard more understandable;

- ASA 700 ignored some sections in the auditor's report that are necessary for the appropriateness of the report;
- The form of the auditor's report prepared in accordance with ASA 700 is almost similar to the auditor's report prepared conform to ISA 700;
- The content of the auditor's report prepared conform to ISA 700, and the auditor's report prepared in accordance with ASA 700 are not much similar, event in the sections contained in each report;
- The content of the auditor's report prepared in accordance with the Algerian standard on auditing 700 lack to some necessary sections like key audit matter section that are necessary for the users to understand the auditing work made;
- The auditor's report prepared in accordance with ISA 700 is more appropriate to the audit report users than the auditor's report prepared conform to the ASA 700.

This study provides some suggestions as follows:

- Making revision on the Algerian standard on auditing 700 in accordance with the International standard on auditing 700;
- Providing professional training for the Algerian auditors to make the application of the international standards on auditing more appropriate, especially ISA 700;
- Some definitions should be provided by ASA 700 to make this standard more understandable;
- The content of ASA 700 has to actualised conform to ISA 700 especially in key audit matter section;
- The Algerian standards on auditing ASA 701, ASA 705, ASA 706, ASA 800 and ASA 805 has to be issued in objective to make ASA 700 more appropriate;
- The content of the auditor's report prepared in accordance with ASA 700 should be revised by involving some necessary sections as key audit matter section, the other information section and the going concern basis to make the audit report more useful and appropriate for the users.

## **Bibliography**

- A.Arens, A., J.Elder, R., S.Beasley, M., E.Hogan, C., & C.Jones, J. (2021). Auditing: The Art and Science of Assurance Engagements (15th ed.). Canada: Pearson Education.
- Almarai. (2022, 03 20). Alamarai Annual Report. Retrieved from Almarai: <https://www.almarai.com/en/>
- Biopharm. (2022, 03 15). Rapport annuel de gestion 2020. Retrieved from Biopharm: <https://www.biopharmdz.com/index.php/fr/>

*Comparative study between the International Standard on Auditing 700 and  
the Algerian Standard on Auditing 700*

---

- CNC. (2016). Décision 150 Portant Normes Algerienne d'audit. Norme algerienne d'audit 700 "Fondement de l'opinion et rapport d'audit sur des états financiers".
- Hayes , R., Wallage, P., & Gortemaker, H. (2014). Principles of Auditing: An Introduction to International Standards on Auditing (3rd ed.). Pearson Education Limited.
- I.Lessambo, F. (2018). Auditing, Assurance Services, and Forensics: A Comprehensive Approach. United states : Springer International Publishing.
- IAASB. (2021). Handbook of International Quality Control, Auditing, Review, Other Assurance and related services Pronouncements. 1 (2020 Edition ). New York. Retrieved from [www.iaasb.org](http://www.iaasb.org)