

**External audit according to Algerian Auditing Standards  
A study on a sample of professionals in Annaba**

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**Abstract:**

The aim of this study is identifying the reality of the engagement of external auditors in Algeria to implementing the Algerian Auditing Standards. To achieve this goal, a questionnaire was distributed to external auditors in Annaba a sample of 50 external auditors. To test the hypotheses and analyse the questionnaire the SPSS version 20 was used.

The study concluded that the external auditors in Annaba are committed to applying Algerian auditing standards.

**Keywords:** engagement; external auditors; Algerian auditing standards.

**Jel Classification Codes:** M42

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## **1. INTRODUCTION**

The external audit profession in Algeria has a new organization, especially after the promulgation of law 10-01, which regulates the profession of chartered accountant, external auditor and chartered accountant, which corresponds to changes in national law, notably following the adoption by Algeria of the financial accounting system, this law defines the conditions for the exercise of the profession of external auditor, defining the tasks, duties, rights and responsibilities and other points relating to the organization of the profession. In addition to the publication of a number of reforms, the most important of these is the restructuring of the professional organizations that oversee the organization of the external audit profession and adjust its responsibilities

Algeria's efforts to develop and improve the profession have continued to bring its audit practices closer to international audit practices by publishing Algerian auditing standards, which provide a better basis and reference for the economic environment national audit, allowing external auditors to prepare reports reflecting the reality of the financial situation of Algerian economic enterprises.

Which brings us to pose the following problematic:

**What is the reality of external auditor commitment to implement Algerian auditing standards?**

The main issue arises from the following sub-questions:

- Are external auditors in Annaba committed to implementing the Algerian auditing standards published in 2016?
- Are external auditors in Annaba committed to implementing the Algerian auditing standards published in 2017?
- Are external auditors in Annaba committed to implementing the Algerian auditing standards published in 2018?

**Hypotheses of the study:**

- External auditors in Annaba have committed to implementing the Algerian auditing standards published in 2016;
- External auditors in Annaba have committed to implementing the Algerian auditing standards published in 2017;

External auditors in Annaba have committed to implementing the Algerian auditing standards published in 2018.

**Importance of the study:**

This study is important because of the great importance of the audit profession in expressing a neutral opinion on the credibility and fairness of the financial statements of companies and ensuring that Algerian auditing standards become a reference for auditors external auditors in Algeria, to ensure the quality of audit results and increased credibility that builds the trust of external auditors.

## **2. The Concept of External Audit and Algerian auditing standards**

The external audit is the audit form committed by a third party for the purpose, among others, mainly verifying that the financial statements limited, and often is being asked by companies for specific issues or activities, for specific periods of time are presented in the correct way (Satka, 2017, p. 331), the auditors help organizations achieve account-ability and integrity, improve operations, and instill confidence among citizens and stakeholders.(The institute of internal auditors, 2012, p. 5)

The American Accounting Association(AAA)point out that external audit is a systematic and objective process of obtaining and evaluating evidence concerning facts and economic events so as to verify the degree of conformity between those facts and the specific criteria and to communicate the results to users of information interested in the investigation In this regard (Jabbar, 2018, p. 4).

The main role of the external audit is also to ensure that the operations are complete and they respect the principals and financial standards registered at the time they take place. So, this target refers to the accomplishment of statutory responsibilities that the external auditor has, supplying an opinion about the financial statements, relating if this shows a “correct and real image”. External auditors are invested by decision makers in the organization. They have to be independent, meaning they can't have any sort of relation with the entity that is to be audited, so their work cannot be influenced (Nasta, 2015, p. 48). In addition to this role, external audit may carry out other assignments on a contractual basis that do not conflict with their primary role. External auditors have sole responsibility for the opinions they express on the financial statements. Norms exist for the profession and are codified in the Standard on Auditing(Auditing, 2019, p. 5).

The importance of auditing is determined by providing service for multiple parties who used the audited financial statements in making decisions(Al-Dalabih, 2018, p. 10).

The performance of any audit assignment, whatever its objectives, implies the existence beforehand of precise, formalized, known and accepted rules of the issuers and receivers of the information submitted to the audit, which it is called standards(Belguet, 2017, p. 39), These standards therefore constitute a frame of reference in case of difficulties in carrying out the mission(Djekidel, 2019, p. 45).

Since mid-2011, the public authorities have been drafting the Algerian Audit Standards, the NAAs, drawing heavily on the ISA international standard, Algerian certain provisions while keeping the essentials in order to keep their anchoring in the country. in the form of decisions of the Ministry of Finance, In this framework, the four 1st NAA, were published on February 4, 2016 (210/505/560/580), the four 2nd NAA, published on October 11, 2016 (300/500 / 510/700), the four third NAA, published on March 15, 2017 (520/570/610/620).(Ayadi, 2018, p. 545)and the four 4th NAA, published on September 24, 2018.

## **3. Methods and Materials**

The study community is composed of external auditors in the Annaba. To determine their compliance with Algerian auditing standards, a sample of 50 external auditors was selected. The

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following table shows the response rate of the study sample.

**Table 1.**Sample Response to Study

Number of questionnaires distributed	Number of questionnaires retrieved	Response rate
50	46	92%

**Source:**Prepared by researchers

The previous table shows that the response rate of the sample under study is 92%, which is very good.

### 3.1 StudyMaterial

The study was based on a questionnaire prepared according to the scientific research methodology, which was distributed to a sample of Annaba's external auditors.

The questionnaire was divided into two main parts: the first part deals with the general information such as the qualification, the professional experience, the second part is devoted to the axes of study divided into three axes, each one comprising a set of questions.

### 3.2 Statistical treatments

SPSS 20 was used in this study using: Alpha Cronbach, arithmetic mean, standard deviation, T-test for a sample.

The questions will be analyzed and judged on the meaning of the answer using the weighted mean and the Fifth Likert Scale, as shown in the following table.

**Table 2.**Measuring the Direction of Response to the weighted mean

Weighted mean	The direction of the answer
From 1 to 1.80	Completely disagree
From 1.81 to 2.60	Disagree
From 2.61 to 3.40	Neutral
From 3.41 to 4.20	Agree
From 4.21 to 5	Completely agree

**Source:** (Yareqi, 2016/2017, p. 184)

The following table shows the values of the alpha Cronbach obtained

**Table 3.**Alpha Cronbach values

The axes	Alpha Cronbach
Axis 1	0.675
Axis 2	0.779
Axis 3	0.726
All axes	<b>0.791</b>

**Source:** Prepared by researchers based on SPSS 20 results

The previous table shows that the Cronbach alpha value for the first axis is 0.675, which is acceptable. For the second axis the value of alpha Cronbach was 0.779, which is a good value. For the third axis, the value of alpha Cronbach was 0.726, which was acceptable. The value of

alpha Cronbach for all the axes of the questionnaire is 0.791 statistically, indicating that the terms of the questionnaire have internal consistency and stability.

**4. Results and discussion**

**4.1. Statistical description of the study sample according to general information**

**Table 4.** Distribution of the study sample according to general characteristics

Characteristics	Repetition	Percentage
Qualification	Licence	40 %86.96
	Magister / Master	04 %8.70
	Ph.D	01 %2.17
	Professional certificate	01 %2.17
	<b>Total</b>	<b>46</b> <b>%100</b>
Professional experience	Less than 10 years	01 %2.17
	Less than 15 years	34 %73.92
	Less than 20 years	10 %21.74
	More than 20 years	01 %2.17
	<b>Total</b>	<b>46</b> <b>%100</b>

Source: Prepared by researchers based on sample study responses

The above table shows that most of the study sample has a licence and that most of their practical experience is less than 15 years.

**4.2. Statistical description of the study sample according to general information**

**Table 5.** The weighted mean and standard deviation of the first axis

N°	The phrase	Weighted mean	Standard deviation	The direction of the answer
01	You know the content of the Algerian audit standards published in 2016.	4,0435	0,630930	Agree
02	A letter of mission is prepared before accepting an audit assignment.	4,7826	0,417030	Completely agree
03	The audit engagement is only accepted if the preconditions for the audit are fulfilled.	4,9783	0,147440	Completely agree
04	It is determined whether the results of external assertions provide proven and credible evidence	4,1957	0,687010	Agree
05	Events you know are properly handled after the report is published.	4,2174	0,840980	Completely agree
06	You request written statements from managers regarding the preparation of financial	4,2609	1,08392	Completely agree

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	statements.			
07	The internal control system is evaluated before the preparation of the audit plan	3,9348	1,10357	Agree
08	A general audit strategy is prepared for the mission.	4,7826	0,554300	Completely agree
09	Adequate and appropriate evidence is gathered to allow a determination of the reliability of the financial statements.	4,6739	0,473960	Completely agree
10	You check the opening balances for each year you audit.	5,0000	0,000000	Completely agree
11	It is determined whether the opening balances reflect the appropriate application of the accounting method.	4,7391	0,443960	Completely agree
12	The auditor's opinion on the credibility of the financial statements is clearly expressed in a written report describing the basis for this opinion.	4,7391	0,443960	Completely agree
13	Notice is given as to whether the preparation of the financial statements in all their aspects has been made in accordance with the competent accounting authority.	4,5000	0,547720	Completely agree
<b>Axis as a whole</b>		<b>4,5268</b>	<b>0,290990</b>	<b>Completely agree</b>

**Source:** Prepared by researchers based on SPSS 20 results

Table (5) shows that the weighted mean of the axis as a whole is equal to 4.52, which makes the direction of the sample entirely agree, since most of the sentences of the axis were the direction of the axis. the sample " completely agree " with the exception of three sentences where the sample management was " agree ". This indicates that Annaba's external auditors have committed to implementing the Algerian auditing standards published in 2016.

**Table 6.**The weighted mean and standard deviation of the second axis

N°	The phrase	Weighted mean	Standard deviation	The direction of the answer
01	You know the content of the Algerian audit standards published in 2017.	4,4348	0,543740	Completely agree
02	The adequacy of the analytical procedures and their effectiveness in detecting significant imbalances in the financial statements are	4,0870	0,724990	Agree

	estimated.			
03	The auditor relies on the results of the analytical procedures to form his opinion on the financial statements.	4,5217	0,657910	Completely agree
04	It is determined whether events or circumstances could give rise to serious doubts as to the ability of the company to continue.	4,1739	0,708810	Agree
05	Sufficient and appropriate evidence is gathered to assess the validity of the going concern assumption developed by management in preparing and presenting the financial statements.	3,7609	0,923390	Agree
06	You take into account the work of the internal auditor.	3,9130	0,914720	Agree
07	You are using an expert outside the field of accounting and auditing.	3,9348	1,21842	Agree
08	The auditor assumes full responsibility for the opinion he issues and is not relieved of his use by an expert of his choice.	4,5217	0,862530	Completely agree
<b>Axis as a whole</b>		<b>4,1685</b>	<b>0,527850</b>	<b>Agree</b>

Source: Prepared by researchers based on SPSS 20 results

The table above shows that the weighted mean of the axis as a whole is equal to 4.16, which makes the direction of the sample agree, since most of the sentences of the axis were the direction of the sample "agree" with the exception of three sentences where the direction of the sample was "completely agree". This indicates that Annaba's external auditors have committed to implementing the Algerian auditing standards published in 2017.

**Table 7.** The weighted mean and standard deviation of the third axis

N°	The phrase	Weighted mean	Standard deviation	The direction of the answer
01	You know the content of the Algerian audit standards published in 2018.	3,9348	0,952240	Agree
02	Audit documents are prepared in a sufficient and progressive manner as the audit mission is carried out	4,1522	0,815610	Agree
03	Adequate and appropriate evidence is obtained on the existence and status of actions, as well as on issues and disputes related to the enterprise.	3,8043	0,859450	Agree
04	The final accounts of the	3,7826	1,03092	Agree

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	company's inventories are subject to the audit procedures.			
05	The auditor is objective in the choice of the audited sample.	4,4348	0,620110	Completely agree
06	The sample is selected in the appropriate size to minimize the risks	4,6739	0,598310	Completely agree
07	An assessment is made on the basis of compelling evidence as to whether the accounting estimates included in the financial statements are reasonable or untrue.	4,1087	0,795220	Agree
08	The amount recognized for accounting estimates included in the prior period's financial statements is reviewed.	3,7826	0,892260	Agree
<b>Axis as a whole</b>		<b>4,0842</b>	<b>0,487380</b>	<b>Agree</b>

**Source:** Prepared by researchers based on SPSS 20 results

The table above shows that the weighted mean of the axis as a whole is equal to 4.08, which makes the direction of the sample agree, since most of the sentences of the axis were the direction of the sample of "agree " "except for two sentences where the sample management was " Completely agree ". This indicates that Annaba's external auditors have committed to implementing the Algerian auditing standards published in 2018.

### 5. Test of the hypotheses of the study

The study hypothesis was tested using One-Sample T-test, at a level of 5%, where the T tabular is the value of  $T = 1.684$ , so that we accept the null hypothesis  $H_0$  and reject the alternative hypothesis  $H_1$ , if the T calculated value is lower than the T tabular, the T calculated value is greater than the T tabular, we reject the null hypothesis  $H_0$  and accept the alternative hypothesis  $H_1$ .

#### 5.1. For the hypotheses of the first axis

$H_0$ : external auditors in Annaba are not committed to implementing Algerian audit standards published in 2016.

$H_1$ : external auditors in Annaba have committed to implementing Algerian audit standards published in 2016.

**Table 8.** Results of the One-Sample T-test for the First Axis

Axis	T calculated	Sig
The First Axis	105.510	<b>0.000</b>

**Source:** Prepared by researchers based on SPSS 20 results



The T calculated value of is greater than T tabular and Sig less than 0.05. we reject the null hypothesis H0 and accept the alternative hypothesis H1, which means that external auditors in Annaba are committed to implementing the Algerian auditing standards published in 2016.

**5.2.For the hypotheses of the second axis**

H0: external auditors in Annaba are not committed to implementing Algerian audit standards published in 2017.

H1: external auditors in Annaba have committed to implementing Algerian audit standards published in 2017.

**Table 9.**Results of the One-SampleT-test for the second Axis

Axis	T calculated	Sig
The second Axis	53.561	<b>0.000</b>

Source: Prepared by researchers based on SPSS 20 results

The T calculated value of is greater than T tabular and Sig less than 0.05 we reject the null hypothesis H0 and accept the alternative hypothesis H1, which means that external auditors in Annaba are committed to implementing the Algerian auditing standards published in 2017.

**5.3.For the hypotheses of the thirdaxis**

H0: external auditors in Annaba are not committed to implementing Algerian audit standards published in 2018.

H1: external auditors in Annaba have committed to implementing Algerian audit standards published in 2018.

**Table 10.**Results of the One-SampleT-test for the third Axis

Axis	T calculated	Sig
The third Axis	56.836	<b>0.000</b>

Source: Prepared by researchers based on SPSS 20 results

The T calculated value of is greater than T tabular and Sig less than 0.05. we reject the null hypothesis H0 and accept the alternative hypothesis H1, which means that external auditors in Annaba are committed to implementing the Algerian auditing standards published in 2018.

**6. CONCLUSION**

The external audit profession in Algeria occupies an important place and this is reflected in the bodies and laws that Algeria has adopted to control the profession and improve its practices.

Algeria has implemented a number of reforms, the latest of which has been the publication of Algerian auditing standards that will help develop the profession of external audit in Algeria and establish a reference framework for external auditors adapted to the Algerian environment.

The study resulted in a number of results that can be presented in the following points:

- The external audit ensures to a reasonable extent that the information provided by the company is credible and fair, and this is done by providing a neutral technical opinion on the fairness and credibility of the company's financial statements ;

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- Algeria tried to comply with international auditing standards by issuing the Algerian Auditing Standards;
- External auditors in Annaba have committed to implementing the Algerian auditing standards published in 2016;
- External in Annaba auditors have committed to implementing the Algerian auditing standards published in 2017;
- External auditors in Annaba have committed to implementing the Algerian auditing standards published in 2018;
- The publication of Algerian auditing standards makes it possible to improve the quality of the external audit and to set up a reference framework for the auditors, in order to facilitate the exercise of their functions.

**The following suggestions can be made:**

- It is necessary to complete the publication of the rest of the Algerian auditing standards to be an integrated framework for practicing the profession in Algeria;
- Organizing forums on all developments affecting the external audit profession in Algeria.

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