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The Alignment of Auditing Practice with International Standards: A Field Study in the Algerian Context

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Abstract:

This study aimed to investigate the current state of the auditing profession and its practical procedures within the Algerian context, as well as to compare Algerian auditing standards with international ones. To achieve these objectives, the study analyzed data collected from a questionnaire distributed to a sample of auditors. Findings indicate that international auditing standards are widely accepted among Algerian professionals and stakeholders. The auditing profession was found to serve multiple beneficiaries of financial statements, and the adoption of international standards is expected to enhance the credibility of financial statements for foreign investors. The study recommends the implementation of specialized auditor training programs focused on applying international auditing standards.

Keywords: *Auditor; International Auditing and Standards; Auditing*

Jel Classification Codes : *M41; M48.*

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1. Introduction :

One of the fundamental principles guiding auditors throughout their work is adherence to International Auditing Standards (ISAs). These standards serve as a global benchmark for the auditing profession, and Algeria, in line with the international trend, has adopted a similar approach to auditing legislation and practice.

The country's transition to a new financial accounting regime, incorporating International Financial Reporting Standards (IFRS), has been accompanied by a series of regulatory developments. Notably, Regulation 10-01 of 27/01/2011 established the framework for the auditing profession in Algeria, defining the roles and responsibilities of auditors, certified auditors, and the National Chamber of Auditors. Subsequent decrees have outlined the structure and functions of the National Accounting Council, as well as accreditation procedures for accounting professionals.

- Given these regulatory advancements, a pertinent question arises:

-Will the adoption of International Standards on Auditing (ISAs) significantly change the nature of auditing practice in Algeria?
-What specific challenges and requirements must be considered when implementing ISAs in the Algerian context?

Study Hypotheses

- **H1:** The adoption of International Standards on Auditing (ISAs) will significantly change the nature of auditing practice in Algeria.
- **H2:** There are specific requirements that must be considered when applying International Standards on Auditing (ISAs) in the Algerian environment.

Objectives of the study

This study aims to achieve the following objectives:

- Conduct a comprehensive review of the theoretical literature on international auditing standards.
- Analyze the applicability of international auditing standards to the Algerian environment, identifying specific requirements and challenges.
- Develop recommendations for the effective implementation of international auditing standards in the Algerian context.

Methodology of the study

To achieve the study's objectives, a descriptive research approach was adopted. Data was collected through a specifically designed questionnaire. Subsequently, statistical analysis was conducted using the Statistical Package for Social Sciences (SPSS) to test the study hypotheses.

2. Literature on Auditing

2.1.Definitions about auditing

Auditing is the systematic examination of information by an independent party to enhance its reliability and usefulness for users. (Laghliti La khdar, 2015, p. 4)

It is also defined as a professional process involving analytical techniques to form an independent judgment on the legality, reliability, and usefulness of a system based on established standards. (Lionnel.c et Gérar dv, 1992, p. 17)

Essentially, auditing entails impartially inspecting and examining documents, records, and financial statements to ensure accuracy, detect errors, and provide an opinion in accordance with accepted standards. (Hussein Hussein Shehata, p. 16)

The American Accounting Association (AAA) defines auditing as the process of obtaining and evaluating evidence about economic activities and events to communicate findings to users. (Benguetib Ali, 2016, p. 23)

2.2. Audit Characteristics:

According to Lounissa (2017, p. 12), an audit comprises several key elements:

- **Systematic and objective research:** The audit process involves a structured and unbiased examination.
- **Focus on accounting records:** Auditors primarily rely on accounting books, forms, and records to gather evidence.
- **Selective examination:** The audit process involves a careful selection of economic events for analysis.
- **Verification of financial statements:** Auditors confirm the accuracy of financial statements and transactions.

- **Independent opinion:** Auditors provide an unbiased professional opinion on the fairness of financial statements.

2.3. Audit Objectives:

In light of the evolving business environment and increasing global economic integration, the perception of auditing has transformed. According to Salah Rabia (2016, p. 13), modern auditing objectives include:

- Monitoring plans and policies to identify underlying causes.
- Maximizing economic and productive efficiency.
- Facilitating performance evaluation for companies and institutions.
- Supporting national economic planning.
- Verifying the accuracy of submitted financial documents and reports.
- Empowering financial departments to make informed decisions.

3. Conceptual Introduction to International Auditing Standards

3.1 Definition of International Auditing Standards

International accounting standards are defined as fundamental principles universally accepted and applied by auditors worldwide. They are also described as a set of guidelines that a professional follows when executing their tasks, grounded in supporting theories. The International Federation of Accountants (IFAC) defines them more comprehensively as a general term encompassing standards used in financial accounting, related fields, and the assurance of data reliability. (Zouina Rial et al., 2018, p. 175).

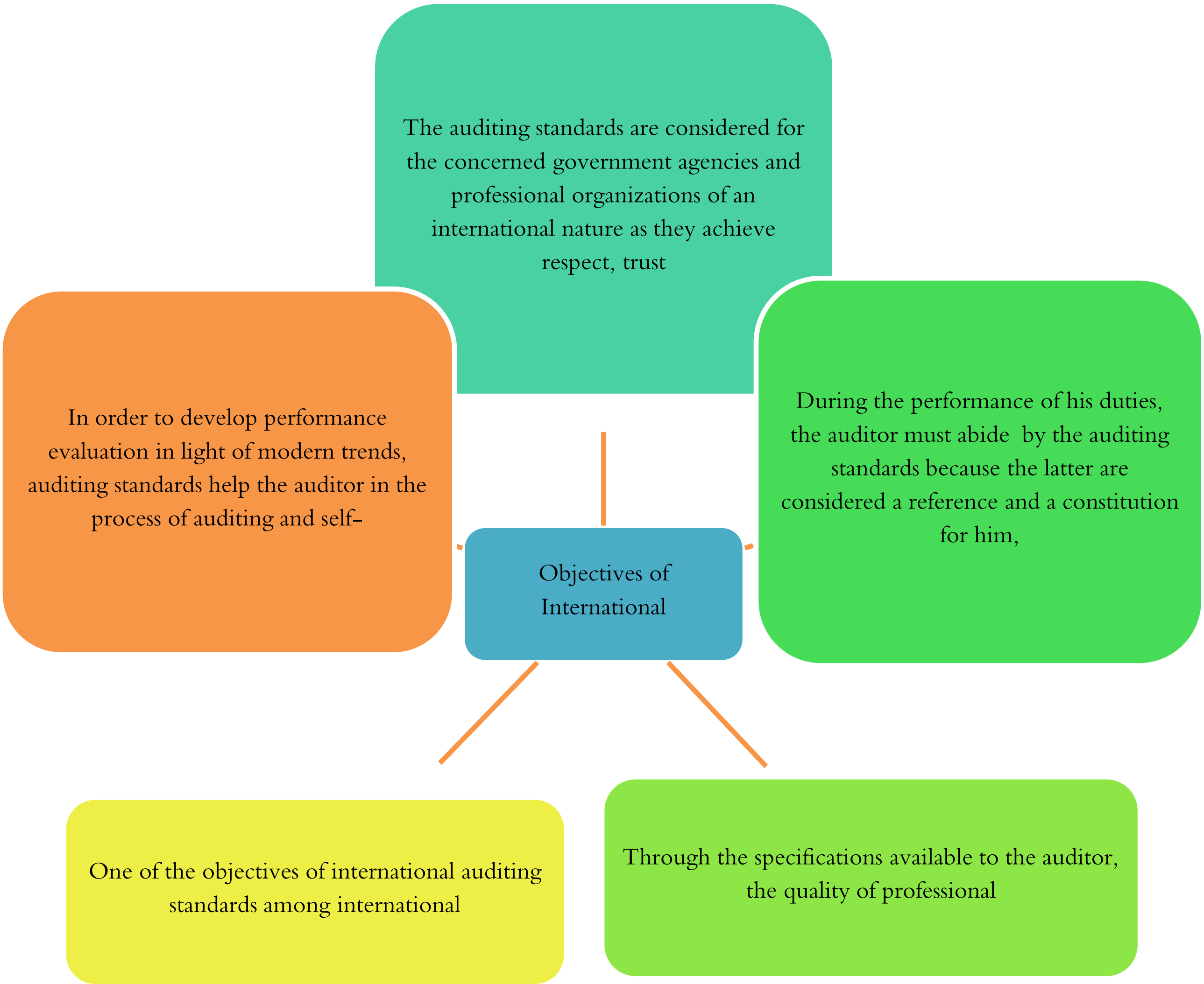
3.2 The emergence of international auditing standards

International accounting standards emerged in the United States in the early 1950s. The American Institute of Certified Public Accountants (AICPA) established a committee tasked with developing and establishing accepted accounting principles. These standards focused on measuring the accuracy of financial functions, their implementation, and appropriate auditing methods. Subsequently, the International Accounting Standards Committee (IASC), under the auspices of the International Federation of Accountants (IFAC), developed International Accounting Standards (IAS) with the goal of achieving international harmonization (Barak Mohamed, 2014, p. 46).

3.3 The objectives of the international auditing standards

Zouina Rial et al. (2018, p176) argue that international auditing standards were developed to achieve several objectives, as illustrated in the figure below:

Figure (1): The objectives of the international auditing standards



3.4 Importance of International Auditing Standards

International accounting standards are of paramount importance to global organizations, audit report users, and auditors alike. Numerous sectors benefit from these standards, including professional organizations and associations such as financial analysts and auditors. By enhancing public confidence through the auditing process, these standards ensure that professionals and their services align with evolving needs. International auditing standards comprehensively address all business and work-related factors (Zouina Rial et al., I.S. 2017, p. 176).

4. The Reality of the Auditing Profession in the Algerian Environment

4.1 Historical development of the auditing profession in Algeria

4.1.1General Criteria

This standard is considered individual as it incorporates specific details of accounting departments, often described as generic. Standard **THREE** outlines the following:

- **Practical and scientific skills:** Researchers must possess adequate, necessary, and appropriate training in research methodologies;
- **Independence:** Auditors must maintain complete independence of opinion, as independence is paramount;
- **Due Professional Supervision:** Professional supervision is a cornerstone of the auditing profession, and auditors must adhere to necessary professional oversight in their reporting activities (Fatih Sardouk, 2004, p. 44).

4.1.2 Fieldwork Standards

Ahmed Qaid Nour Al-Nour Al-Din (2010, p. 26) identifies three key auditing standards:

- The auditor must effectively supervise the audit team and ensure the accurate assignment of duties.
- Comprehensive and approved studies for internal controls should be developed to inform departmental decision-making and results.
- The auditor's primary focus is expressing an opinion on the financial statements based on sufficient and appropriate audit evidence.

4.1.3 Reporting Standards

There are teams for the preparation of the final report and the conditions for its preparation, as it is an intrinsic product of the audit process and is guaranteed to communicate the results on the part of users of financial statements and of the actual financial condition of the entity. To achieve the desired objective, the American Association of Certified Public Accountants defined four standards governing audit reporting, viz.

-Acceptance is prepared by accounting principles;

-Consistent application of accounting principles

-Presentation, display and function;

- A neutral technical perspective reflects what is known(Khader Khanfari,2017,p158).

4.2 Conditions for practicing the profession of auditing in the Algerian environment

The Official Gazette of the People's Democratic Republic of Algeria Law 10-01 of 29 June 2010 outlines the following employment conditions for auditors:

- Algerian nationality is required.
- A performance certificate must be obtained, including qualifications in accounting and audit.
- A certificate permitting the practice of certified auditing is necessary.
- The candidate must possess full political and civil rights.
- No prior judicial convictions are allowed.
- Registration with the Chamber, liquidator, or public institution according to established procedures and approval by the Minister of Finance are mandatory.
- Upon acceptance, the auditor must take an oath and register with the appropriate provincial judicial commission.

5. The Reality of the Auditing Profession in the Algerian Environment

This section will address the conduct of the audit profession in the Algerian context. The audit process typically commences with preparatory procedures, followed by an evaluation of the internal control system. Given the critical role of internal controls, this stage is of paramount importance. Subsequently, the examination of accounts takes place. The final phase involves the preparation and issuance of the audit report.

5.1The preliminary procedures are as follows:

-the first audit procedure shall be deemed to be the acceptance and approval of the power of attorney ;

-One of the preliminary procedures that comes after accepting the power of attorney is to start work;

- The last stage of the procedures when conducting audits is to get to know the institution.

5.2 The internal control system and its evaluation mechanisms are as follows:

- Comprehension tests;

-Initial assessment of the internal control system;

-Continuity tests ;

- The internal control system and its final evaluation.

5.3Examination of Accounts:

-Determine the effects of the internal audit evaluation ;

-Syriac and conformance tests;

- Finalize the review process(Essa Zein,2019,p23)

5.4 Preparing the final report. Cases of expressing an opinion consist of the following:

-When the report is prepared by the auditor, he may express a clean opinion (without reservations)

-When preparing the report by the auditor, there may be a restricted opinion (with reservations)

-Also the auditor may have a dissenting opinion.

- The auditor can also express a negative opinion(Fatih Sardouk L. o.2018,p83).

5.5 International Standards on Auditing in the Algerian Environment and the Requirements for their Application

Guidance requirements outline the necessary steps for professional organizations, audit firms, academic institutions, and other relevant entities to adopt and implement international auditing standards within the Algerian context. To bridge the gap between the Algerian and international environments, specific application requirements have been established.

Key requirements for adopting international auditing standards include:

- Developing specialized training programs for professional associations, accounting and auditing firms, and individual auditors to equip them with the skills to apply international standards effectively in the Algerian context.
- Fostering collaboration between universities, institutes, and professional associations to conduct research on the application of international standards in Algeria and integrating the findings into academic curricula. Practitioners should actively engage with universities to access the latest research and insights.
- Issuing audit reports that adhere to the most recent international standards and imposing compliance on key organizations (Lamamra et al., 2018, p. 12).

6. Case study

6.1The Study Sample and population

The questionnaire was distributed to auditors registered with the National Chamber of Auditors. A random sample of 70 questionnaires was selected for the study.

Table (1) : Personal characteristics of the study sample

Variable		Frequency
Academic qualification	Bachelor's Degree	48
	Postgraduate level	22
	Total	**70**
PROFESSIONAL EXPERIENCE	Under 10	29
	More than 10 years.	41
	Total	**70**
Position	Auditor	70
	Total	**70**

Source: Prepared by the researcher relying on the outputs of the SPSS program.

Table (2) : Likart 5-Scale Data Collection Tool

Answers	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Scores	"Fifth"	- Four.	Three	One... two... three.	one 1

Source: Prepared by the researcher

Table (3) : Criticality Determination Scale for the Arithmetic Mean

Arithmetic Mean	Scale of agreement
1-1.79	Very weak
1.80-2.59	Weak
2.60-3.39	Medium
3.40-4.19	High
4.20- 5.00	Very high

Source: Prepared by the researcher

6.2 Presentation and Analysis of the Results of the first hypothesis

Table (4): Clarifies the hypothesis related to the contribution of the adoption of international standards for auditing to changing the nature of the practice of the profession in Algeria.

Order	Statement	Arithmetic Mean	Standard Deviation	Level of Significance
1	International auditing standards contribute to better auditing practice in Algeria.	4.31	0.64	0.0000
2	International auditing standards have been accepted by professionals and those interested in the profession	4.43	0.81	0.0000
3	International auditing standards have been able to improve the quality and sophistication of the auditing profession.	4.18	0.55	0.0000
4	International auditing standards will provide confidence and credibility to the financial statements of the foreign investor	4.42	0.72	0.0000
5	International auditing standards are more appropriate to the local reality of the profession in the Algerian environment.	3.39	0.49	0.0000
Total		4.15	0.65	0.0000

Source: Prepared by the researcher relying on the outputs of the SPSS program.

The results indicate a strong support for the first hypothesis. The calculated arithmetic mean of 4.15 and the T-test's p-value of 0.0000, which is significantly lower than the 5% alpha level

lead to the acceptance of the first hypothesis.

6.3 Presentation and analysis of the results of the second hypothesis

Table (5): Explains the hypothesis related to the existence of several requirements that must be taken into account when applying the international standards for auditing in the Algerian environment.

Order	Statement	Arithmetic Mean	Standard Deviation	Level of Significance
1	Conducting specialized courses by professional associations on how to apply international standards in a manner consistent with the requirements of the Algerian environment	4.30	0.77	0.0000
2	Universities and professional institutions interested in accounting and auditing publish	4.45	0.60	0.0000

	and communicate everything related to the new standards according to recent amendments			
3	Academics in coordination with professional associations to study the new amendments and include them in the new curricula in the coming years	3.83	0.57	0.0000
4	Require major institutions to submit audit reports in accordance with international standards	4.16	0.59	0.0000
5	The audit offices in Algeria involve their employees and trainees in specialized training courses in this field	4.72	0.68	0.0000
Total		4.29	0.64	0.0000

Source: Prepared by the researcher relying on the outputs of the SPSS program.

From the above, it is clear that the statements related to the second hypothesis, and its arithmetic mean is estimated at (4.29) and confirm the most results of the T test, through the value of the level of significance, which is estimated at (0.0000), thus achieving the hypothesis at the level of significance of 5% .

7.Conclusion

The study revealed several key findings. International auditing standards have garnered widespread acceptance among professionals and stakeholders. The auditing profession itself has evolved into a specialized field demanding a high degree of competence and skill, serving a diverse range of financial statement users. Moreover, these standards have significantly enhanced the quality and sophistication of auditing practices. To disseminate knowledge of the new standards and their amendments, universities and professional accounting institutions should actively engage in publishing and communicating relevant information.

Based on these findings, several recommendations are proposed. First, meticulous attention should be given to the approval of applied studies on international auditing standards to ensure their suitability for the Algerian context. Second, auditors must maintain a commitment to continuous professional development to stay abreast of accounting and auditing advancements. Lastly, specialized training programs should be implemented to equip auditors with the necessary skills to effectively apply international auditing standards.

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