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## **The extent of application of the Algerian Standard for Auditing 230 “Audit Documents” by the auditors**

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### **Abstract**

The aim of this research paper is to assess the extent to which Algerian Auditing Standard No 230, labeled as “Audit Documentation”, is implemented by external auditors in Algeria. In pursuit of the study’s overarching goals, we distributed a questionnaire to a sample of professionals to collect necessary data and analyzed it using SPSS24.

This study reveals that the majority of external auditors are not fully acquainted with the provisions outline in Algerian Auditing Standard No 230. Consequently, the standard is not widely applied and relied upon.

**Keywords:** Algerian Standards of Auditing, Audit documents, External auditors.

**JEL Classification Codes :** M42.

### **INTRODUCTION**

In the context of Algeria's transition towards a capitalist economic system, there emerged a pressing need for the establishment of a modernized accounting framework to accommodate these transformative shifts. This imperative led to

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the promulgation of Law 07-11 on November 25, 2007, which delineated the parameters of the Financial Accounting System. Implemented as of January 1, 2010, this system is predominantly influenced by the principles outlined in the International Accounting Standards (IAS/IFRS). Concurrently, Algeria embarked on comprehensive reforms within the auditing domain, marked by the enactment of Law 10-01 on June 29, 2010. This legislation is chiefly concerned with the oversight and regulation of certified accountants, auditors, and chartered accountants.

The overarching aim of these legislative measures was to harmonize Algeria's auditing practices with the International Auditing Standards. Moreover, these reforms led to the restructuring of the National Accounting Council, introducing specialized committees such as the Standardization Committee tasked with issuing indigenous accounting and auditing guidelines. Subsequently, the National Accounting Council released a series of Algerian auditing standards, with eight standards issued in 2016, four in 2017, and an additional four in 2018.

One particularly noteworthy standard among the suite of Algerian auditing standards introduced in 2018 is Algerian Auditing Standard 230, entitled "Audit Documentation." This study endeavors to scrutinize the practical application of AAS 230 by auditors.

### **Problem Statement :**

The core issues of this study crystallize in the following questions:

To what extent do external auditors in Algeria apply Algerian Auditing Standard 230, "Audit Documentation?"

### **Study Hypotheses:**

To address the aforementioned questions, we formulate the following hypotheses:

1. External auditors in Algeria are well-versed in Algerian Auditing Standard 230.

2. Algerian Auditing Standard 230 has widespread application among external auditors.

**Research Methodology:**

In pursuit of our study's objectives and in response to the stated problem statement, we adopted a descriptive methodology. This methodology facilitated a thorough delineation of the phenomenon under investigation by elucidating key concepts and terms within the theoretical framework. Additionally, we employed an analytical, inductive approach, which incorporated the use of statistical tools available through the SPSS24 statistical package. This methodological choice allowed for a systematic analysis of data, enabling deeper insights into the research questions at hand.

**1. Bodies Regulating the External Audit Profession in Algeria****1.1 National Council of Accountancy (CNC):**

Before June 29, 2010, the auditing profession in Algeria was under the jurisdiction of the National Institute of Certified Public Accountants, Account Keepers, and Certified Accountants. However, with the enactment of Law 10-01, significant changes occurred, placing the auditing profession under the National Council of Accountancy (CNC). This council operates under the authority of the Minister of Finance (Ben Yahi & Larmour, 2019, p. 5).

According to Article 05 of Law 10-01, the CNC comprises five committees:

- Accreditation Committee
- Discipline and Arbitration Committee
- Standardization of Accounting Practices and Professional Care Committee
- Training Committee
- Quality Control Committee (Kadri, 2021, p. 108).

As per Executive Decree No. 24-11, 2011, the National Council of Accountancy's tasks include handling accreditation requests, preparing professional lists, addressing disciplinary cases, and overseeing professional quality (Executive Decree 24-11, 2011, p. 5).

## **1.2 National Board of Expert Accountants:**

By Executive Decree No. 11-25, the National Board of Expert Accountants comprises nine elected members. The General Assembly elects them from individuals registered in the National Register of Expert Accountants for a renewable term of three years. The members' distribution is determined through secret voting, with the top nine elected members holding key positions (Executive Decree 25-11, 2011, pp. 8-9).

## **1.3 National Chamber of Account Keepers:**

Established through Executive Decree No. 11-26, the National Chamber of Account Keepers operates in conjunction with the National Board of Expert Accountants. Endowed with various prerogatives, it oversees the administration of assets, collection of annual subscriptions, coordination of training initiatives, affiliation with professional bodies, and representation of the national entity within international forums (Executive Decree 26-11, 2011, p. 11).

## **1.4 Conditions for Practicing the Professions in Algeria:**

In order to practice as an expert accountant or account keeper in Algeria, individuals are required to fulfill specific criteria as detailed by (Cherouati2015,p.441). These prerequisites include Algerian citizenship, possession of pertinent certifications, affirmation of political and civil rights, maintenance of a clean legal record, endorsement by the Minister of Finance, and adherence to the prescribed oath outlined in Article 6 of Law 10-01.

## **2. Legal Framework for Algerian Audit Standards:**

### **2.1 Laws:**

- Law 10-01, dated June 29, 2010, consisting of 84 legal articles, regulates the professions of expert accountants, account keepers, and certified accountants (Law 10-01, 2010, p. 4).

### **2.2 Finance Law:**

Article 66 of the Finance Law for 2011 modifies Article 44 of Law No. 09-09, issued on December 30, 2009, regarding the appointment or replacement of account keepers (Law No. 13-10, 2010, p. 18).

### **2.3 Executive Decrees:**

Numerous executive decrees, including Nos. 11-24, 11-25, 11-202, and 13-10, promulgated in the years 2011 and 2013, delineate the composition and regulations governing entities such as the National Council of Accountancy, the National Board of Expert Accountants, standards pertaining to reports issued by account keepers, and disciplinary protocols applicable to accounting experts (Official Gazette, 2011).

The legal and regulatory framework overseeing the audit profession in Algeria is characterized by a multifaceted structure comprising councils, committees, and legislative provisions. This intricate framework underscores the nation's steadfast commitment to upholding elevated standards and fostering a culture of professional integrity within the accounting sector.

## **3. Algerian Auditing Standard 230 "Audit Documentation"**

### **3.1 Scope of Application:**

Algerian Standard 230 elucidates the auditor's obligations regarding the preparation of audit documentation, which complements and reinforces specific documentation requirements delineated in other Algerian auditing standards. Furthermore, additional documentation mandates are stipulated by pertinent legal or regulatory provisions (Zoubiri & Amara, 2022, p. 391).

### **3.2 Nature and Benefits of Audit Documentation:**

Audit documentation encompasses the files or work papers meticulously prepared, obtained, or retained by the auditor throughout the audit process. These records encapsulate completed audit procedures, substantive evidence amassed, and the auditor's resultant conclusions. Manifesting in diverse formats such as paper, electronic reports, or other mediums, the documentation ensures the accessibility and lucidity of data throughout the mandated legal retention period.

The significance of audit documentation transcends its role as a mere archival resource; rather, it serves multifaceted purposes within the audit framework. Firstly, it facilitates the planning and execution of audit tasks, furnishing the audit team with essential guidance and reference points. Secondly, it aids

supervisors in monitoring and overseeing audit activities, ensuring adherence to established protocols and standards. Thirdly, it empowers the audit team to articulate their findings accurately and comprehensively. Finally, it facilitates quality control reviews and inspections in strict accordance with Algerian auditing standards (Zoubiri & Amara, 2022, P 391).

### **3.3 Objectives:** (Decision No. 77, 2018, Pages 3-7)

The auditor's objectives include preparing documentation to:

- Form a sufficient and appropriate file supporting the audit report.
- Confirm that the audit was planned and performed in accordance with Algerian auditing standards and applicable legal and regulatory requirements.
- Preserve essential points for future audit tasks.
- Facilitate quality control reviews and inspections.

### **3.4 Required Duties:**

#### **3.4.1 Timely Preparation of Audit Documentation:**

The auditor must progressively prepare audit documentation during the task.

#### **3.4.2 Completed Audit Procedures and Obtained Convincing Evidence:**

The auditor should prepare sufficient documents to allow an experienced auditor who has not participated in the task to understand:

- The nature, timing, and extent of implemented audit procedures for compliance with Algerian auditing standards and applicable legal and regulatory requirements.
- Results of the executed audit procedures and convincing evidence obtained.
- Important matters raised during the audit, resulting findings, and professional judgments necessary for those findings.

The form, content, and extent of audit documentation depend on factors such as the entity's size and complexity, the nature of audit procedures, significant identified risks, the importance of obtained evidence, and the nature and depth of

specific deviations, methods, and tools used for auditing.

Audit documentation provides evidence that the audit was conducted in accordance with Algerian auditing standards. However, the auditor is not necessarily required to document every addressed point or professional judgment made during the audit (Zoubiri & Amara, 2022, P 391).

#### **3.4.2.2 Lack of Respect for Required Duties:**

In special cases, when the auditor deems it necessary to deviate from a specific duty according to a certain standard, they must document in their files the procedures undertaken for alternative audit measures aimed at achieving the intended objective of that duty and the reasons for not applying it.

#### **3.4.2.3 Significant Events Occurring After the Auditor's Report Date:**

Under exceptional circumstances, when the auditor implements new or additional audit procedures or deduces new results after the report date, they must record in the file the unique circumstances encountered, the latest or additional audit procedures applied, the convincing evidence obtained, the results derived, and their impact on the audit report.

Exceptional circumstances include specifically, facts known to the auditor after the report date but existing at that time, which, if known then, could have led to adjustments in financial statements or a modification of the auditor's opinion in the audit report.

#### **3.4.3 Compilation of the Final Audit File:**

The auditor is responsible for compiling the documents in the audit file and completing the administrative process to form the final audit file in a reasonable time after the report date.

Once the final audit file is compiled, the auditor must not delete or withdraw any document, regardless of its nature, before the specified retention deadlines.

#### **3.4.4 Protection, Preservation, and Ownership of Work Files:**

The auditor must adopt appropriate measures to ensure the confidentiality and protection of work files and their preservation for a sufficient period to meet office policy needs

and comply with legal and professional requirements regarding document retention.

In the case of repeated audits, some files can be classified as permanent files that are updated with important new information, constituting a permanent interest, unlike current working files that primarily contain information related to the audit of a single fiscal year.

Work files are owned by the auditor, although some parts or excerpts from them may be made available to the entity at the auditor's discretion. However, they do not replace the entity's accounting documents.

#### **4. Application of Algerian Auditing Standard 230 by Accountants - An Investigative Study -**

##### **4.1 Testing the Validity and Reliability of the Questionnaire :**

Reliability of the questionnaire refers to obtaining the same result upon redistributing it several times under the same conditions and circumstances. The result should not significantly change when redistributing it to the same sample within a specific timeframe. Using SPSS version 24, Cronbach's Alpha Coefficient was calculated to measure the reliability of the study's questionnaire. The reliability coefficient for the questionnaire items reached a value of 0.692.

**Table 1:** Calculation of the Reliability Coefficient for the Questionnaire Items:

<b>Number of Valid Study Forms</b>	<b>Cronbach's Alpha Coefficient</b>
20	0.792

**Source:** The researchers prepared based on the SPSS program outputs.

The data in the table highlights the consistency among all the presented questions and their coherence, supporting the credibility of adopting the questionnaire to collect the necessary information for analyzing and testing the formulated hypotheses. The reliability coefficient was determined to be 0.792, considered acceptable as it exceeds 0.60, the standard value in social sciences.



## 4.2 Results Related to Sample Responses Regarding the Second Part of the Questionnaire

Through the analysis of questionnaire responses, our objective is to scrutinize the degree of consensus within the sample concerning the practical implementation of Algerian Auditing Standard 230, "Audit Documentation," by auditors. Subsequently, we intend to discern the sample's stance on each survey question by leveraging weighted Likert scale measurements. This approach will enable us to gauge the opinions of sample participants regarding the various aspects addressed in the survey.

### 4.2.1 Results Related to Sample Responses to Questions of the First Axis:

Table 2 illustrates the respondents' perspectives on audit documentation's scope, nature, and application.

**Table 2:** Averages and Standard Deviations for Questions of the First Axis (Scope and Nature of Audit Documentation)

Number	Mean	Standard Deviation	Response Scale
1	1.1000	0.30513	Yes
2	1.5000	0.82001	Yes
3	2.2000	0.88668	Neutral
4	1.6667	0.80230	Yes
5	2.4000	0.93218	No
6	1.8000	0.88668	Neutral
7	1.6000	0.91539	Yes
First Axis	1.75	0.79262	Neutral

**Source:** Compiled by the researchers based on the outputs of the SPSS program

Table 2 shows that the sample's inclination in questions 1, 2, 4, and 7, with arithmetic means of 1.1, 1.5, 1.66, and 1.6, respectively, falls within the range [1.66-1] of the Likert triad scale. This category indicates a positive agreement with applying the Algerian Audit Standard content regarding the scope and nature of audit documents, as most sample members

tend to answer "Yes."

As for the sample's inclination in the fifth question, with an arithmetic mean of 2.4, falling within the range [3-2.34], which corresponds to the category indicating a response of "No." This suggests that audit documents for current tasks constitute a permanent interest considered in future audit tasks, according to the Algerian Audit Standard 230.

#### 4.2.2 Results related to the sample's responses to questions of the second axis:

Table 3 illustrates the respondents' perspectives on preparing audit documents.

**Table 3:** Means and Standard Deviations for Questions of the Second Axis (Preparation of Audit Documents)

Number	Mean	Standard Deviation	Response Scale
8	1.3000	0.65126	Yes
9	2.4000	0.93218	No
10	1.6000	0.81368	Yes
11	1.9000	0.84486	Neutral
12	1.0000	0.00000	Yes
13	3.0000	0.00000	No
14	1.4000	0.67466	Yes
Axis Two	1.8000	0.55952	Neutral

**Source:** Compiled by the researchers based on the outputs of the SPSS program

Table 3 shows that the sample's orientation in questions 14, 12, 10, and 8, with mean values of 1.4, 1.0, 1.6, and 1.3, respectively, falls within the range [1.66-1] on the Likert triad scale. This category indicates agreement, meaning the majority of the sample members positively agree to prepare audit documents according to the Algerian Audit Standard 230.

Questions 9 and 13 reveal that the sample's orientation falls within the range [3-2.34], with mean values of 2.4 and 3. This category indicates a response rating of (No), signifying that the sample members are fully aware of the Algerian Audit Standard 230 regarding the preparation of audit documents.

### 4.2.3 Results Related to Sample Responses to Questions of the Third Axis:

Table 4 illustrates the opinions of the sample members regarding forming the final audit file.

**Table 4:** Means and Standard Deviations for Questions of the Third Axis (Formation of the Final Audit File)

Number	Mean	Standard Deviation	Response Scale
15	2.1000	0.95953	Neutral
16	1.7000	0.91539	Neutral
17	2.4000	0.81368	No
18	2.3000	0.91539	Neutral
19	1.2000	0.61026	Yes
20	1.0000	0.00000	Yes
Axis Three	1.783	0.70237	Neutral

**Source:** Compiled by the researchers based on the outputs of the SPSS program

Concerning Axis Three, according to Table 4, we observe that the overall direction of the sample individuals regarding questions of the third axis falls within the range [2.33-1.67], with an average of 1.78. This category indicates a neutral response, meaning there is a variation in opinions among auditors regarding forming the final audit file. This is attributed to the ambiguity of the content of the Algerian audit standard regarding recording events that occurred after the report's submission date and documenting reasons for not respecting required duties according to another Algerian standard.

As for Question 20, it becomes evident that most sample individuals tend towards an average of 1, falling within the answer range [1.66-1], indicating an affirmative direction. This suggests auditors classify audit files as permanent and others as current working files according to the Algerian audit standard 230.

### 4.3 Hypothesis Testing

#### 4.3.1 Testing the First Hypothesis:

To verify the first hypothesis, the results of the first axis questions will be relied upon, as illustrated in the following table:

**Table 5:** Results of Testing the First Hypothesis

Axis	Number of Statements	Mean	Calculated T Value	Degrees of Freedom	Significance Level (Sig)
First	7	1.752	1.170	29	0.100

**Source:** Compiled by the researchers based on the outputs of the SPSS program

From the illustrated table above, it becomes evident that the mean value for the statements of the first axis, estimated at 1.752, is smaller than the assumed theoretical mean of 2. Additionally, the calculated (T) value of 1.170 is less than the tabulated (T) value estimated at 2.045. Moreover, the significance level (Sig) estimated at 0.100 is greater than the significance level of 0.05. Therefore, we accept the null hypothesis and reject the alternative hypothesis, indicating that external auditors in Algeria are not fully familiar with Algerian Audit Standard No. 230.

#### 4.3.2 Testing the Second Hypothesis:

To verify the second hypothesis, the results of the second and third axes will be relied upon, as clearly shown in the following table:

**Table 6:** Results of Testing the Second Hypothesis

Axis	Number of Statements	Mean	Calculated T Value	Degrees of Freedom	Significance Level (Sig)

Seco nd	7	1.800	1.316	29	0.100
Third	6	1.783	1.503	29	0.100

**Source:** Compiled by the researchers based on the outputs of the SPSS program

The table above shows that the mean values for the statements of the second and third axes, estimated at 1.800 and 1.783, respectively, are smaller than the assumed theoretical mean of 2. The calculated (T) values of 1.316 and 1.503, respectively, are less than the tabulated (T) value estimated at 2.045. Additionally, the significance level (Sig) estimated at 0.100 is greater than the significance level of 0.05. Hence, we accept the null hypothesis and reject the alternative, indicating that external auditors do not widely apply the Algerian Audit Standard.

### CONCLUSION :

After Law 10-01 was issued, Algeria implemented substantial reforms in the auditing profession by adopting 16 Algerian audit standards inspired by international audit standards. Standard No. 230, labelled "Audit Documents," is among these standards, derived from the International Standard on Auditing 230, "Working Papers."

The study results can be summarized in the following points:

- Algerian audit standards serve as the regulatory and legal framework for the auditing profession in Algeria.
- Algerian Audit Standard 230, "Audit Documents," is formally applied, but its content is not extensively implemented.
- Accountants in Algeria are not fully familiar with the content of Algerian Audit Standard No. 230.
- Algerian Audit Standard No. 230 lacks broad application by external auditors due to deficiencies in practice and training in Algerian audit standards.

- The application of Algerian audit standards does not meet the required level, primarily due to the complexity of the Algerian business environment.
- The absence of oversight on the quality of auditors' work by relevant bodies (National Institute of Chartered Accountants and National Chamber of Accountants) contributes to the limited application of Algerian audit standards.

Based on these findings, the following suggestions can be formulated:

- The National Council of Accountancy should provide interpretations of resolutions related to Algerian audit standards to clarify their implementation.
- Organize national workshops and training courses for explaining and interpreting Algerian audit standards.
- Activate regulatory bodies' role in overseeing the quality of auditors' work to ensure the proper implementation of these standards.

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