



Auditing Practices in Algeria under the Standard 505: An Empirical Study from the Views of Auditors

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Abstract:

The aim of this study is to explore the reality of auditing practices in Algeria regarding external confirmations when compared with the standard NAA 505 “External confirmations”. The methodology of the study focused on survey the opinions of 32 professionals from Skikda through a questionnaire, which was designed to provide an index of how auditors deal with external confirmations, taking into account legislation, procedures, and dealing with the results. The duration of the study was extended from September to December 2023. The results of the study indicated that legislation plays a key role in improving audit practices in Algeria. Further, the audit procedures implemented by auditors in Skikda are generally consistent with the recommendations of NAA 505, and finally, auditors employ the auditing results consistent with the recommendations of NAA 505.

Keywords: Auditing practices; Algerian Standards on Auditing; International Standards on Auditing; External confirmations.

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1. Introduction

Auditing is necessary for certifying financial statements and giving them the required quality that allows users to employ them with reliability, given that the auditor seeks to provide a technical and neutral opinion about the faithfulness and legitimacy of financial statements. On the other meaning, the auditor needs to determine whether financial statements are prepared in accordance with generally accepted accounting principles or accounting standards and whether they honestly reflect the economic reality of the company. Auditing is a process that gives users reasonable assurance to employ financial statements when making decisions.

Auditing relies on a recognised methodology, starting with the mission order and obtaining an understanding of the company and its environment, then evaluating the internal control system until accounts examination. This path of audit is necessary to express a technical and neutral opinion in the form of an audit report and communicate it to the concerned parties. However, the neutral opinion requires the auditor to support his position with various forms of evidence, which can be obtained by relying on tools applied throughout the various stages of the audit mission, especially when evaluating the internal control system and the examination of accounts.

In order to enhance the quality of auditing and thus increase the quality of financial statements, the bodies regulating the profession, whether at the local or international level, issue auditing standards that explain to practitioners how to execute the audit mission, what tools they should use, and how, when, and why to use them, as well as appropriate supporting documents and procedures for collecting and dealing with them, in order to achieve the planned objectives.

In response to economic transformations at the national and international levels, Algeria took the initiative to standardise auditing practices, which culminated in the issuance of Law No. 10-01 of June 29, 2010, relating to the professions of accounting expert, auditor, and certified accountant (People's Democratic Republic of Algeria, 2010).

The Law was followed by the Decision of June 24, 2013, specifying the content of the standards for auditor reports after determining their subject by Executive Decree No. 11-202 dated May 26, 2011 (People's Democratic Republic of Algeria, 2014). The path of reform was continued in 2016 with the issuance of the Algerian Standards on Auditing (NAA), where eight standards were issued in 2016, four standards in 2017, and four standards in 2018. The NAAs are a summary of the International Standards on Auditing (ISA) after adapting them to the reality of the Algerian environment.

The NAA 505 is among the first standards issued within the Algerian Standards on Auditing (NAA), due to the importance of external confirmations as supporting documents and their high reliability. This is because they are prepared by external and independent parties, and therefore management has no opportunity to influence them. External confirmations are also benchmarking tools for auditors, allowing them to verify internal supporting documents. Therefore, the NAA 505 clarifies the procedures for dealing with external confirmations and benefiting from them.

Some studies have suggested that the adoption of the International Accounting Standards in Algeria will increase the performance of auditors and enhance the quality of auditing (Ben Seddik, 2015; Tounsi, 2016; Bahlouli, 2017; Kazouz, 2018). Consequently, this study aims to investigate whether the auditors in Skikda are committed to the requirements of the standard NAA 505 as a tool to enhance the quality of their missions.

1.1 The study problem

The auditing profession in Algeria was characterised by the absence of a clear reference, so the auditors missed guidance that clarified procedures for dealing with external confirmations, except for the accepted practices. Since 2016, sixteen Algerian Standards on Auditing have been adopted as a part of the reform known by the profession in order to identify the methodology and procedures of auditing and improve the quality of auditing. Therefore, this study asks the following questions:

- Is legislation playing a role in developing auditing in Algeria according to the opinions of professionals in Skikda?
- Is there compatibility between the audit procedures implemented by the auditors and the recommendations of the standard NAA 505, in the state of Skikda?
- Is there consistency between the handling of the auditors with the results of audit procedures and the recommendations of the standard NAA 505, in the state of Skikda?

1.2 Hypotheses

The study starts with the following hypotheses:

- **Hypothesis1:** Legislation plays a key role in developing the audit profession in Algeria according to the opinions of professionals in Skikda.
- **Hypothesis2:** There is compatibility between the audit procedures implemented by the auditors and the recommendations of the standard NAA 505, in the state of Skikda.
- **Hypothesis3:** There is consistency between the handling of the auditors with the results of audit procedures and the recommendations of the standard NAA 505, in the state of Skikda.

1.3 Importance and objectives

The importance of this study stems from the importance of external confirmations as justification documents during the auditing process and their role in supporting the technical and neutral opinion. Additionally, the study was conducted during a period in which Algeria had known many reforms that affected the auditing profession, especially the issue of Algerian Standards on Auditing.

This study aims to achieve the following objectives:

- Assessing the role of legislation in the improvement of the auditing profession in Algeria;
- Comparing the audit procedures implemented by auditors with the recommendations of the standard NAA 505;
- Comparing how auditors deal with the results of audit procedures and the recommendations of the standard NAA 505.

2. Literature review

Among the most relevant studies, we found the study by (Ben Seddik, 2015), which focused on the extent to which auditing practice in Algeria is compatible with the International Standards (ISA). For that, he collected the opinions of 34 professionals through a survey and indicated that Algeria is working to develop its legislation relating to accounting and auditing in line with the developments known by international institutions. However, the reality of the profession in Algeria has not changed after the reforms because the rules regulating the auditing profession are not up to international standards.

The study by (Tounsi, 2016) focused on the impact of International Accounting Standards on auditor performance in Algeria. The study analysed the opinions of 62 professionals and academics from six states (Mostaganem, Tipaza, Algeria, Boumerdes, Setif, and Tlemcen). According to the results, Algerian auditors do not face any difficulties when performing their duties due to their qualifications and experience, and the adoption of the International Accounting Standards will increase their performance.

The study by (Bahlouli, 2017) explored the role of the adoption of International Standards on Auditing (ISA) in developing the audit profession in Algeria by surveying the opinions of 180 auditors and accounting experts. The study suggested that current local legislation is not sufficient to ensure good practice in the auditing profession and that auditors do not resort to International Standards on Auditing. The results also showed that adopting International Standards on Auditing can develop the auditing profession in Algeria.

The study by (Lounissa, 2017) examined whether the development in the audit profession in Algeria keeps pace with international developments and its impact on the quality of financial information. The study focused on the opinions of 63 individuals and indicated that there is no statistically significant relationship between the audit profession development in Algeria and international development. However, audit practices in Algeria have a significant impact on the quality of financial statements.

The study by (Darwish & Koudid, 2017) investigated the effectiveness of International Standards on Auditing in improving auditing quality in Algeria by surveying the opinions of 20 professionals from Ain Temouchent. The results indicated that the Algerian auditors are committed to applying International Standards on Auditing, despite the many difficulties with their application and the lack of capabilities for auditor training, in addition to some conflicts between the legislation regulating the profession.

The study by (Kazouz, 2018) explored the position of the Algerian Standards on Auditing in practice by analysing the opinions of 63 auditors. The results showed that the Algerian Standards on Auditing will contribute to improving auditing quality, while auditors in Algeria face several difficulties when performing their duties.

Most previous studies were interested in the International Standards on Auditing and their impact on the development of auditing in Algeria, as well as whether the profession in Algeria keeps pace with these standards. However, our study focused directly on the reforms known the auditing profession in Algeria and whether auditors adopted the recommendations of the Algerian Standards on Auditing in order to improve auditing quality. This study was based on the NAA 505 due to their role in supporting the auditor's opinion. Additionally, this study investigated whether auditors in Skikda applied the procedures related to obtaining and exploiting external confirmations. This study is among the few that focused on external confirmations as one of the most prominent auditing tools.

3. Theoretical framework

3.1 Auditing profession reform in Algeria

The Algerian authorities work to reform the auditing profession through Law No. 10-01 of June 29, 2010 (People's Democratic Republic of Algeria, 2010). The beginning was with the auditor's report standards in 2013, after determining its subject in Executive Decree No. 11-202 of May 26, 2011 (People's Democratic Republic of Algeria, 2011, 2014). The report standards include fifteen standards; each one discusses an audit report. After that, the Algerian

Standards on Auditing were subsequently issued in four Decrees since 2016; each Decree includes four standards bearing the same number as the original International Standards on Auditing (ISA).

The NAA 505 was issued within the first group through Decision No. 002 dated February 4, 2016. This standard addresses how the auditor uses external confirmation procedures to obtain reliable supporting documents. The purpose of the auditor, who resorts to external confirmation, is to design and execute these procedures to obtain convincing elements (CNC, 2016).

3.2 NAA 505 “External confirmations”

The NAA 505 defines external confirmation as “the process of obtaining and evaluating audit evidence through an assertion of information or an existing situation that is received from a third party in response to a request for information regarding a specific item that affects the confirmation in the financial statements or related disclosures”. The standard classifies external confirmations into:

- Confirmations about existence or occurrence (assets and liabilities);
- Confirmations about comprehensiveness of information;
- Confirmations about rights and obligations;
- Confirmations about evaluation and distribution;
- Confirmations about presentation and disclosure.

External confirmations are used extensively regarding account balances and their components, but they should not be limited to those items. For example, auditor can request external confirmations about the transactions terms with other parties. External confirmations can also be used to obtain evidence regarding the absence of a side agreement that can affect revenue recognition (Chikhi, 2018).

The NAA 505 divides confirmation requests into: **urgent (positive) confirmation**, where third parties are invited to respond directly to confirm or deny the requested information or provide explanations; and **implicit (negative) confirmation**, where third parties are invited to respond only to deny the requested information.

The standard specifies the procedures that must be followed to conduct external confirmations, regarding the preparing and designing

the requests and identifying third parties eligible to respond. It also specifies the factors to be taken into account when conceiving confirmation requests and the procedures that must be followed when management does not allow the auditor to send them. Additionally, the standard explains how to deal with the results of the confirmation procedures and ensure the reliability of responses, the case of not receiving responses, and how to deal with the differences.

External confirmation requires management approval. Also, auditor must identify external parties asked to respond and maintain control over the requests, taking into account the following points:

- Determining the information under confirmation;
- Determining the external party qualified to respond to the request;
- Designing the confirmation request, ensuring that it is oriented to the concerned party, and requesting a direct response to the auditor;
- Sending the request to the external party and following up on it.

If management does not allow auditor to send request, he should investigate the reasons and try to obtain convincing elements to assess the effects of the refusal on his estimates of material deviation risks, as well as develop alternative audit procedures to obtain convincing and reliable supporting elements. The auditor must assess the quality of evidence obtained from external confirmation and whether it is necessary to obtain complementary evidence.

If the auditor does not receive a response, receives a partial response to the positive confirmation request, or the confirmation request does not reach the addressee, he should design and implement alternative audit procedures in order to obtain convincing and reliable evidence. If the auditor assesses that responding to a positive confirmation request is necessary to obtain sufficient and appropriate substantive evidence, the implementation of any alternative audit procedures will not provide convincing evidence.

The differences in responses between the information provided to the auditor by external parties and that obtained from the company under the confirmation request represent a gap. The auditor must determine the existence of a gap and whether the differences indicate

the presence of real or potential deviations in financial statements. In cases of real deviations, the auditor must assess whether there is evidence of fraud or default in the internal control system.

4. Method and materials

The study relied on a descriptive approach through a survey method, where the opinions of a sample of auditors were collected.

4.1 Sample of study

The study population contains auditors in the state of Skikda, while the final sample includes 32 individuals. In the beginning, 44 questionnaires were distributed randomly, but only 36 questionnaires were retrieved, and 4 questionnaires were excluded. Therefore, the final number of valid questionnaires was 32.

4.2 Data collection

The study data was collected by surveying the opinions of a sample of auditors, so we designed a questionnaire consisting of three axes. The first axis includes nine (9) statements, and each one reflects the role of legislation in developing the audit profession in Algeria. The second axis includes nine (9) statements, and each one reflects the extent to which auditing practices in the study environment are compatible with the recommendations of the NAA 505. The third axis includes eleven (11) statements, and each one reflects how auditors deal with the results of external confirmation procedures and the extent of their compatibility with the NAA 505 recommendations.

4.3 Statistical materials

- **Measurement scale:** in order to measure the studied phenomenon, we relied on an ordinal scale (Likert) consisting of five degrees to arrange the answers and five levels of agreement.

Table 1. Measurement scale.

Answer	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Rank	1	2	3	4	5
range	[1.00-1.80]]1.81-2.60]]2.61-3.40]]3.41-4.20]]4.21-5.00]

Hypothetical mean = $(1 + 2 + 3 + 4 + 5)/5 = 3$

Range = $5 - 1 = 4$

The length of the category = $4/5 = 0.8$

Source: Authors.

- **Cronbach alpha coefficient:** to examine the reliability of the measurement scale for the questionnaire.
- **Pearson correlation coefficient:** to examine the internal consistency of the measurement scale for the questionnaire.
- **Kolmogorov-Smirnov test and Shapiro-Wilk test:** to test the normality of data.
- **T-test and Kolmogorov-Smirnov test:** to test the hypotheses.
- **Mann-Whitney test and Kruskal-Wallis test:** to test the effect of the sample characteristics on the responses.

4.4 Validity of the questionnaire

The reliability and consistency of the questionnaire are the main factors in the pertinence of the results of the study, as the availability of these two characteristics allows for obtaining an appropriate measure. The reliability and consistency of the questionnaire were tested using the Cronbach alpha coefficient and the Pearson correlation coefficient, respectively. It is clear from Table 2, which summarises the results of the questionnaire reliability test, that the Cronbach alpha coefficient reached 0.752 more than the critical value (0.6), which is an indicator of the reliability of the questionnaire.

Table 2. The questionnaire reliability test results.

Statements number	Cronbach alpha coefficient
29	0.752

Source: depending on SPSS.

The consistency of the questionnaire was tested through the correlation between each statement and the axis to which it belongs, as shown in Table 3. The correlation coefficients between the statements of the first axis (X1, X2,..., X9) and their average (X) were significant at the 5% level, with strong correlations for the statements X4, X8, and X9, moderate correlation for the statements X3, X5, and X6, and weak correlation for the statements X1, X2, and X7.

For the second axis (Y), all correlations were significant at the 5% level, except for the statement Y1, which was weak and significant at 6%. Similarly, the correlations of the statements Y3, Y5, and Y9 were weak despite being significant at 5%. However, the

correlations were significant and strong for the statements Y4, Y6, Y7, and Y8, and moderate for the statement Y2.

For the third axis (Z), all correlations were strong and significant at the 1% level, except for the statements Z9, Z10, and Z11, which were weak and significant at the 5% level. Based on these results, the consistency of the questionnaire is confirmed.

Table 3. The questionnaire reliability test results.

		1	2	3	4	5	6	7	8	9	10	11
X	Correlation	0.22	0.14	0.43	0.53	0.44	0.47	0.20	0.52	0.77		
	Significance	0.03	0.04	0.01	0.00	0.01	0.01	0.04	0.00	0.02		
Y	Correlation	0.23	0.45	0.24	0.67	0.29	0.79	0.70	0.60	0.22		
	Significance	0.06	0.01	0.04	0.00	0.03	0.00	0.00	0.00	0.05		
Z	Correlation	0.56	0.61	0.48	0.63	0.70	0.75	0.65	0.87	0.32	0.25	0.22
	Significance	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.04	0.04
N		32	32	32	32	32	32	32	32	32	32	32

Source: depending on SPSS.

5. Results and discussion

5.1 Sample characteristics

From Table 4, it appears that the majority of the sample individuals were auditors, and 23 of them had more than 10 years of experience; 13 of them had more than 20 years of experience. This is due to the difficulty of accessing the profession and the reforms that the profession has undergone in recent years.

Table 4. Sample characteristics.

Status	Auditor 27	Expert accounting 5			
Experience (years)	[0-5] 4	[6-10] 4	[11-15] 9	[16-20] 2	[21-30] 13
Office nature	Individual 26	Company 6			
Office age (years)	[0-5] 6	[6-10] 3	[11-15] 8	[16-20] 2	[21-30] 13
Office employees	3> 5	[3-6] 19	6< 8		
Office customers	50> 10	[50-100] 15	100< 7		

Source: Authors.

Regarding the characteristics of the offices, it appears that the majority of the offices in Skikda are individual, which means that their owners practice freelance work. This situation was reflected in the number of customers, which was modest, where most individuals (25) worked in offices whose customers did not exceed 100 clients.

5.2 Descriptive statistics for the first axis

Appendix 1 summarizes the descriptive statistics for the first axis. The table shows that the opinions of the auditors and accounting experts tend towards agreement since the response averages were confined within the range [4.20-3.41], except for statements X6, where the opinions of the auditors and accounting experts tend towards neutrality, and X1 and X7, where the opinions tend towards strong agreement. For the first axis as a whole, the opinions of the auditors and accounting experts tend towards agreement regarding the role of legislation in developing the audit profession in Algeria, with an average of 3.82 and a standard deviation of 0.34.

5.3 Descriptive statistics for the second axis

Appendix 2 summarizes the descriptive statistics for the second axis. The auditors and accounting experts suggest that the procedures they implement when executing their audit missions are consistent with the recommendations of the standard NAA 505, with strong agreement for the statements Y1, Y2, Y3, and Y9, and agreement for the procedures described in the statements Y4, Y5, and Y6. However, the opinions of the auditors and accounting experts were neutral regarding the procedures described in statements Y7 and Y8. For the second axis as a whole, the average of opinions reached 3.94 with a standard deviation of 0.45, indicating that the auditors and accounting experts in Skikda agree that the procedures they implement during accounts examination are consistent with the recommendations of the standard NAA 505.

5.4 Descriptive statistics for the third axis

Appendix 3 summarises the descriptive statistics for the third axis. The table indicates that the majority of the opinions of auditors and accounting experts tend towards agreement, except for statements

Z1, Z2, and Z11, where the opinions tend towards strong agreement, and the statements Z6 and Z8, where the opinions tend towards neutral. Finally, the table indicates that the auditors and accounting experts in Skikda agree that their dealings with the results of audit procedures are consistent with the recommendations of the standard NAA 505, as the average of opinions for the third axis reached 3.86 with a standard deviation of 0.56.

5.5 Normality testing for the data distribution

In order to determine the appropriate statistical tests, the normality of the data distribution must be examined, which was done depending on Kolmogorov-Smirnov and Shapiro-Wilk. The results in Table 5 indicate that the opinions of auditors and accounting experts regarding the statements of the second axis are normally distributed since the level of significance for both tests was more than 5%. Conversely, the level of significance for both tests was less than 5% for the first and third axes, which means that the opinions of auditors and accounting experts regarding the statements of the first and third axes are not normally distributed.

Table 5. Testing the normality of the data based on the questionnaire axes.

Codes	Axis	Kolmogorov-Smirnov		Shapiro-Wilk	
		Statistic	Significance	Statistic	Significance
X	First	0.17	0.02	0.93	0.04
Y	Second	0.14	0.11	0.95	0.13
Z	Third	0.15	0.04	0.91	0.01

Source: depending on SPSS.

5.6 Hypotheses testing

The test of hypothesis1 depends on the statements of the first axis, which are not normally distributed, so it is necessary to use a non-parametric test for a hypothesis about the mean of one group. The appropriate test in this situation is the homogeneity test (Kolmogorov-Smirnov), which is used to test the null hypothesis about the homogeneity between the mean of the responses and the hypothetical mean (3). The statistical hypothesis can be formulated as follows:

- **H₀**: Legislation does not contribute in developing of the audit profession in Algeria.
- **H₁**: Legislation contributes in developing the audit profession in Algeria.

The results shown in Table 6 indicate that the test was significant at the 5% level, which means that the mean of the responses (3.82) is fundamentally different from the hypothetical mean (3). Therefore, we reject the null hypothesis and accept the alternative hypothesis that legislation plays a key role in developing the audit profession in Algeria.

This result reflects the partial satisfaction of professionals regarding the reforms adopted by the Algerian authorities since 2010, which relatively enhance the auditing environment and give the profession its importance in the process of financial reporting and corporate governance as a whole. However, the path of reform is still long to address shortcomings recorded in several aspects of the profession, including the accreditation, compensation system, quality supervision, illegal practice of the profession, ethical rules and professional conduct, standardisation of auditing practices, etc.

Table 6. Kolmogorov-Smirnov test results for the first axis.

Observations	Mean	Standard deviation	Z	Df.	Significance
32	3.82	0.34	1.41	31	0.03

Source: depending on SPSS.

Hypothesis2 can be tested by referring to the opinions of auditors and accounting experts about the statements of the second axis, which are normally distributed, so the appropriate test is the T-test for one group, which is used in the same way as the first axis. Accordingly, the statistical hypothesis is formulated as follows:

- **H₀**: The audit procedures implemented by the auditors in Skikda do not comply with the recommendations of the standard NAA 505.
- **H₁**: The audit procedures implemented by the auditors in Skikda are consistent with the recommendations of the standard NAA 505.

According to the results summarised in Table 7, the test was significant at the 1% level, which indicates that the mean of the responses (3.94) differs fundamentally from the hypothetical mean

(3). Accordingly, we reject the null hypothesis and accept the alternative hypothesis (H_1), which means that the audit procedures implemented by the auditors in the state of Skikda are compatible with the recommendations of the standard NAA 505.

Table 7. T-test results for the second axis.

Observations	Mean	Standard deviation	T	Df.	Significance
32	3.94	0.45	49.76	31	0.00

Source: depending on SPSS.

Testing hypothesis3 requires applying the Kolmogorov-Smirnov test to the opinions of auditors and accounting experts about the statements of the third axis because the data on this axis are not normally distributed, so the statistical hypothesis is formulated as follows:

- H_0 : The auditors in Skikda do not deal with the results of audit procedures in accordance with the recommendations of the standard NAA 505.
- H_1 : The auditors in Skikda deal with the results of audit procedures in accordance with the recommendations of the standard NAA 505.

According to the results summarised in Table 8, the test is significant at the 5% level, which indicates that the mean of the responses (3.86) is fundamentally different from the hypothetical mean (3). Therefore, we reject the null hypothesis and accept the alternative hypothesis (H_1), which indicates a consistency between the handling of the auditors in the state of Skikda with the results of audit procedures and the recommendations of the standard NAA 505.

Table 8. Kolmogorov-Smirnov test results for the third axis.

Observations	Mean	Standard deviation	Z	Df.	Significance
32	3.86	0.56	1.61	31	0.01

Source: depending on SPSS.

The results of hypothesis2 and hypothesis3 testing indicate that the procedures implemented by the auditors in Skikda and their handling with the results of audit procedures regarding the external confirmations are compatible with the recommendations of the standard NAA 505. This confirms the reality that external confirmations are very important to achieve a reliable and neutral

opinion about the relevance and faithful representation of financial statements. Therefore, commitment to standard requirements is necessary. However, the question can be asked about the extent to which auditors rely on external confirmations, which is still modest, and auditors are required to employ this technique more since it is considered among the more reliable evidence.

5.7 Effect of sample characteristics

In order to analyse the effect of the characteristics of the sample on the responses, two nonparametric statistical tests were used, Mann-Whitney and Kruskal-Wallis, because they are suitable for small samples whose data are not normally distributed. The Mann-Whitney test is used to compare two independent groups, so it was applied to the characteristics that divide the sample members into two groups (status and office nature). The results are shown in Table 9, indicating that the two characteristics do not affect the responses for all axes, where the Mann-Whitney test was insignificant in the two cases, except for the status in the case of the third axis, which is significant at the 1% level, indicating a statistically significant difference between the auditors and accounting experts regarding dealing with the results of the auditing procedures consistent with the standard NAA 505.

Table 9. Mann-Whitney test results for the effect of status and office nature.

		First axis (X)	Second axis (Y)	Third axis (Z)
Status	Statistic	-1.63	-1.88	0.00
	Significance	0.10	0.06	1.00
Office nature	Statistic	-0.83	-0.97	-1.12
	Significance	0.41	0.33	0.26

Source: depending on SPSS.

The Kruskal-Wallis test was used in cases of characteristics that divide the sample into more than two independent groups (experience, office age, office employees, and office customers).

Based on the results in Table 10, it appears that there is no effect of the four characteristics on the responses regarding the second and third axes, and there is no effect of the office employees regarding the first axis, where the test was not significant in all cases. However,

there are effects of experience, office age, and office customers on the responses related to the first axis, where the test was significant at 5%, and thus there is a statistically significant difference between the opinions of individuals about the role of legislation in developing the audit profession in Algeria according to their experience, office age, and office customers.

Table 10. Kruskal-Wallis test results for the effect of experience, office age, office employees, and office customers.

		First axis (X)	Second axis (Y)	Third axis (Z)
Experience	Statistic	11.23	4.80	5.95
	Df.	4	4	4
	Significance	0.02	.031	.020
Office age	Statistic	12.09	4.71	5.95
	Df.	4	4	4
	Significance	0.02	0.32	0.20
Office employees	Statistic	1.59	0.83	4.20
	Df.	2	2	2
	Significance	0.45	0.66	0.12
Office customers	Statistic	7.08	3.85	2.29
	Df.	2	2	2
	Significance	0.03	0.15	0.32

Source: depending on SPSS.

6. Conclusion

External confirmations are among the important supporting documents in auditing due to their reliability and persuasiveness, given that their source is parties completely independent of the company, which makes them among the convincing elements that support the auditor’s neutral and technical opinion, and thus improve the auditing quality. The standard NAA 505 is among the first standards issued within the first group of Algerian Standards on Auditing (NAA) in 2016 that abstracted from the International Standards on Auditing (ISA) as a part of the reform that commenced with the issue of Law 10-01 regulating the financial auditing profession in 2010, then the issue of auditor reports standards in 2014.

Based on the above, this study aims to examine the extent to which auditing practices in the state of Skikda comply with the recommendations of the standard NAA 505 by surveying the opinions of 32 auditors and accounting experts and relying on some parametric and non-parametric statistical tests.

6.1 Hypotheses testing results

Our methodical procedures confirm **Hypothesis1** that legislation plays a key role in developing the audit profession in Algeria, and **Hypothesis2** that the procedures implemented by auditors in the state of Skikda are compatible with the recommendations of the standard NAA 505. **Hypothesis3** was also confirmed, so the handling of the auditors in the state of Skikda with the results of audit procedures is consistent with the recommendations of the standard NAA 505.

6.2 Results summary

The study indicated a set of results that can be summarised as follows:

- Legislation plays an important role in developing the audit profession in Algeria according to the opinions of professionals in the state of Skikda.
- The audit procedures implemented by auditors in Skikda comply with the recommendations of the standard NAA 505.
- The auditors in Skikda deal with the results of audit procedures consistent with the recommendations of the standard NAA 505.
- There is statistically significant difference between the opinions of auditors and accounting experts in the state of Skikda regarding the extent to which auditors deal with the results of audit procedures consistent with the recommendations of the standard NAA 505.
- There is statistically significant difference between the opinions of auditors and accounting experts in the state of Skikda regarding the role of legislation in developing the audit profession in Algeria.
- There is statistically significant difference between the opinions of auditors and accounting experts in Skikda about the role of legislation in developing the audit profession in Algeria, following experience, office age, office employees, and office customers.

These results are consistent with many previous studies, such as the study by (Tounsi, 2016), which confirmed that auditors do not face any difficulties when performing their duties due to their qualifications and experience. The results are in line with the study by (Darwish & Koudid, 2017), which stated that the external auditors in Algeria are highly committed to applying International Standards on Auditing, despite the many difficulties that hinder the application of these standards. Additionally, the results confirm the study by (Kazouz, 2018), which indicated that auditors in Algeria face several difficulties, but they are committed to the most auditing standards.

On the other hand, the results of this study differ from the study by (Ben Seddik, 2015), which indicated that the reality of the auditing profession in Algeria has not changed after the reform, and the study by (Bahlouli, 2017), which revealed that current legislation is not sufficient to ensure good practice in the profession and that the auditor does not resort to International Standards on Auditing.

6.3 Recommendations

Starting from the results of this study, we propose the following recommendations:

- Authorities are required to give more attention to auditing standards because of their importance in guiding the auditor and assessing the quality of his work.
- Authorities are required to continue the process of standardising auditing practices by issuing auditing standards that cover other areas.
- Auditors in the state of Skikda should check and understand the Algerian Standards on Auditing when they are issued or when they are updated.
- Auditors in the state of Skikda should also apply auditing standards to improve the quality of their work.
- Auditors in the state of Skikda should extend the field of external confirmations and implement them consistent with the recommendations of the standard NAA 505.

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8. Appendices

Appendix 1. Descriptive statistics for the first axis.

	Statements	Average	Standard deviation	Acceptance level	Importance
X1	Developing the audit profession depends on the development of legislation regulating the profession.	4.31	0.59	Strongly agree	02
X2	Developing the audit profession keeps pace with the development of auditing at the international level.	3.31	1.38	Agree	07
X3	Developing the audit profession in Algeria is linked to the development of regulatory bodies.	4.19	0.54	Agree	03
X4	Professional bodies in Algeria keep pace with changes in the accounting and auditing professions.	3.69	0.98	Agree	05
X5	Law 10-01 has had a positive impact on developing of the audit profession.	3.56	0.95	Agree	06
X6	There is a good understanding and application of Law 10-01 by professionals.	3.19	1.58	Neutral	08
X7	The practice of auditing in Algeria requires a certain level of qualification and experience.	4.44	0.80	Strongly agree	01
X8	The issue of standards that take into account the reality of Algeria helps to develop the auditing profession.	3.69	1.23	Agree	05
X9	Algerian Standards on Auditing are applicable in the Algerian environment.	4.00	1.14	Agree	04
X	The role of legislation in development the audit profession.	3.82	0.34	Agree	

Source: depending on SPSS.

Appendix 2. Descriptive statistics for the second axis.

	Statements	Average	Standard deviation	Acceptance level	Importance
Y1	You have sufficient knowledge about Algerian Standards on Auditing that enables you to apply them.	4.31	0.59	Strongly agree	03
Y2	You have sufficient knowledge about the Algerian Standard on Auditing NAA 505 that enables you to apply it.	4.31	0.59	Strongly agree	03
Y3	You have a sufficient understanding of the objective and scope of the Algerian Standard on Auditing NAA 505.	4.38	0.61	Strongly agree	02
Y4	You rely on external confirmations in order to provide sufficient evidence.	3.88	1.01	Agree	05
Y5	You document well the external confirmations sent and responses to them.	4.06	1.05	Agree	04
Y6	You often request positive (urgent) confirmations from external parties.	3.44	1.01	Agree	06
Y7	You often request negative (implicit) confirmations from external parties.	3.03	1.26	Neutral	08
Y8	You choose which party(ies) will respond to the confirmation requests.	3.38	1.39	Neutral	07
Y9	You recommend that responses be addressed directly to you.	4.69	0.47	Strongly agree	01
Y	The procedures implemented by auditors comply with the recommendations of the NAA 505.	3.94	0.45	Agree	

Source: depending on SPSS.

Appendix 3. Descriptive statistics for the third axis.

	Statements	Average	Standard deviation	Acceptance level	Importance
Z1	You take into account the necessary measures to ensure the reliability of responses to confirmation requests.	4.25	0.84	Strongly agree	03
Z2	You choose the method of receiving the responses to confirmation requests (paper, electronic, fax, etc.).	4.38	0.61	Strongly agree	02
Z3	If you have doubt about the reliability of a response, you take the necessary measures to obtain complementary evidence.	3.75	1.16	Agree	06
Z4	If you receive an oral response, you request immediately a written response.	4.00	1.08	Agree	04
Z5	If you do not receive a written response, you perform alternative audit procedures.	3.56	1.13	Agree	07
Z6	You identify the differences between the initial information and the information included in the response to the confirmation request.	3.25	1.27	Neutral	08
Z7	You analyse whether these differences indicate deviations, and you assess the possibility of fraud or default in the internal control system.	3.81	1.15	Agree	05
Z8	You face situations where the management does not allow sending confirmation requests.	2.81	1.40	Neutral	09
Z9	If the management refuses, you investigate the reasons and try to obtain convincing elements.	3.56	1.56	Agree	07
Z10	If the management refuses, you develop alternative audit procedures.	3.56	0.50	Agree	07
Z11	If the management refuses and you are unable to find convincing alternatives elements, you inform the directors and assess the impact on the audit process.	4.47	0.51	Strongly agree	01
Z	Auditors deal with the results of audit procedures in accordance with the recommendations of the NAA 505.	3.86	0.56	Agree	

Source: depending on SPSS.