

The Role of Algerian Audit Standards in Detecting Substantial Imbalances in Economic Organisations

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Abstract: The aim of this study is to demonstrate the role played by Algerian auditing standards in assessing material misstatements, detecting errors and fraud within the internal control systems of Algerian organisations, and demonstrating the reliability of financial statements and reports. To achieve this, 35 questionnaires were distributed to a sample of individuals interested in the auditing and accounting professions, and the data obtained were analysed using the SPSS statistical software. The study concluded that Algerian auditing standards play a significant role in detecting material misstatements by identifying errors in the application of administrative procedures within the internal control system, as well as documentary and accounting errors in the application of accounting standards, and instances of error and fraud.

Keywords: Algerian auditing standards; internal control system; material misstatements; error; fraud; economic entity.

JEL Classification: M42, M41

Introduction:

Continuous developments in the field of auditing at the level of economic organisations, accompanied by the emergence of international auditing standards, have led to the issuance in Algeria – as in the rest of the world – of Algerian auditing standards aimed at ensuring the success of the audit process by identifying material weaknesses in an organisation's internal control system. This also serves to verify the reliability of financial statements and reports by identifying instances of error and documentary and accounting fraud.

- **Research question:** What is the role of Algerian auditing standards in identifying material weaknesses?

- **Main hypothesis:** Algerian auditing standards serve to detect material weaknesses

- Sub-hypothesis 01: Algerian auditing standards contribute to the detection of material weaknesses in the internal control system.

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- Sub-hypothesis 02: Algerian auditing standards contribute to the detection of material misstatements that affect the reliability of financial statements and reports.

- **Significance of the study:** The significance of the study lies in highlighting the role of Algerian auditing standards in detecting material misstatements by assessing instances of error and fraud within the internal control system, in order to verify the accuracy and reliability of financial statements and their representation of the true financial position of Algerian organisations.

- **Objectives of the study:** The study aims to highlight the significant role of Algerian auditing standards in regulating the audit process and ensuring the reliability of financial statements by detecting instances of error and fraud.

- **Research methodology:** In order to achieve the study's objectives and test its hypothesis, a descriptive approach was adopted to present the theoretical concepts, whilst an analytical approach was used to analyse and discuss the data relating to the empirical study.

- **Previous studies:**

- First study: Belaid, Al-Tayyib. A comparative study between Algerian auditing standards and international auditing standards. The study highlighted the similarities and differences between Algerian and international auditing standards.

- Second study: Zidane, Mohamed. 'The external auditor's responsibility in detecting fraud and material errors to limit the impact of their risks on the reliability of financial statements', Faculty of Economic, Commercial and Management Sciences, Journal of Financial and Management Accounting Studies, Issue 09, June 2018. The study aimed to clarify the role played by the external auditor in assessing material misstatements, whether due to fraud or error, and their impact on the reliability of financial statements.

Our study aims to establish a link between two key elements in both studies, namely Algerian auditing standards and material misstatements, by highlighting the role of Algerian auditing standards in detecting material misstatements

1. The role of Algerian auditing standards in detecting material misstatements

Through the audit process, which is based on standards, the auditor's work aims to demonstrate the strength of an organization's internal control system and the extent to which the financial statements reliably present the organization's financial position. This is achieved by ensuring that the internal control system and the financial statements are free from any material misstatements that could cast doubt on their reliability.

1.1. The conceptual framework of Algerian auditing standards and material misstatements:

The effectiveness of an internal control system depends on the extent to which its procedures are adhered to and on the competence of the organisation's human resources; it is this that auditing standards must demonstrate regarding the strength of the internal control system and its freedom from loopholes that could enable the embezzlement or theft of the organization's assets.

1.1.1. The Concept of Algerian Auditing Standards

Algeria is seeking to integrate into the global economy; to this end, it has undertaken several reforms to develop its accounting system, including reforming the auditing system through the enactment of Law No. 10-01 of 11 July 2011 concerning the profession of auditor and accountant. As the primary international reference for the auditing profession is the International Standards on Auditing, Algeria has adopted these standards to facilitate the work of auditors, ensure the widespread use of their reports, and strive to achieve quality and accuracy in the audit process. The adoption process took place in two phases: the first and the second.

- **The concept of auditing:** The American Accounting Association defines it as an objective and systematic process of obtaining and evaluating evidence regarding facts about economic realities and events, in order to ascertain the degree of conformity between those facts and the specified standards, so as to convey the results to users and those interested in such financial information.

In general, the audit aims to achieve several objectives, namely (Jumaa, 2009, p. 30) :

- To verify that the accounting treatment has been carried out in accordance with generally accepted accounting principles and standards, and that all documents submitted for this recording actually exist and relate to the financial events that have occurred.
- To determine whether assets, liabilities, equity, income and expenses have been included in the financial statements in accordance with the appropriate financial values generated by the accounting system.
- To verify that the assets are actually owned by the organization and that the liabilities are obligations incumbent upon it.
- To determine whether the financial statements have been appropriately aggregated, segmented, described and disclosed.
- Expressing an impartial professional opinion on the extent to which the organization's financial statements present a true and fair view of its financial position.

-What are International Auditing Standards? International Auditing Standards contain the fundamental principles, guidelines and clarifications relating to the audit, examination and review of financial statements; they represent the accepted and reasonable standard of professional care, and are guidelines or rules that clarify agreed professional practice. They are issued by the International Federation of Accountants in accordance with a number of procedures, including consultation with international accounting bodies. The aim of International Standards on Auditing is (Al-Shomari, 1993, p. 25) :

- to effectively promote consistency between auditing and assurance standards and professional ethics;
- To strive for continuous improvement in the quality of auditing.
- To bridge the expectations gap by making audit procedures predictable.
- It serves as a supplement and reference for local standards.
- They help to meet society's expectations regarding the role and responsibilities of the auditor.
- International auditing standards help to introduce changes, improvements and developments to international accounting standards

- Algerian Auditing Standards

The Algerian Auditing Standards were prepared and issued by agreement between the committees (the Quality Control Committee, the Technical Committee and the Practice Harmonization Committee), whereby international standards were adopted, adapted, organised and tailored to the national context required by the practice of the accounting and auditing profession. The Algerian Auditing Standards were issued in two editions.

Decision No. 002 dated 2 February 2016 includes the following auditing standards: (Decision No. 002, 2016, page 4)

- Algerian Auditing Standard No. 210: Agreement on the Terms of the Audit Engagement: This standard sets out the duties of the auditor in reaching an agreement with management and the audit procedures for financial statements and financial reports. The objective of the standard is to ensure the auditor's independence throughout the audit process by guaranteeing that the prerequisites for the process are met in their entirety, as well as confirming the entity's agreement to the terms and conditions set out in the engagement letter. Furthermore, management must not impose any limits or restrictions on the tests and checks carried out that are necessary to perform the engagement.
- Algerian Auditing Standard No. 505: External Assurances: The standard aims to guide the auditor on the key procedures followed in the external confirmation process, with the aim of obtaining relevant and reliable corroborative evidence through external confirmations, which are corroborative evidence obtained from third parties and provided to the auditor in written, paper, electronic or other form. An implicit confirmation request (negative confirmation) is a request for a third party to respond to the auditor's confirmation request only if they deny the information contained therein. In addition, an urgent confirmation request (, positive confirmation) takes the

form of a request addressed to a third party, asking them to confirm or deny the information contained in the confirmation request and to provide the required information.

- Algerian Auditing Standard No. 560: Subsequent Events (Events after the Balance Sheet Date). The standard aims to set out the procedures that the auditor is required to carry out in order to obtain sufficient and appropriate audit evidence indicating that events occurring between the balance sheet date and the date of issue of the auditor's report. These events, which require adjustments to the financial statements, have been dealt with in accordance with the applicable accounting policy.

- Algerian Auditing Standard No. 580: Written Representations. This standard sets out the auditor's obligation to obtain written representations from management containing information regarding the performance of management's duties, which are relevant to the audit of the financial statements. However, these representations are not considered evidence that supersedes prior evidence obtained from third parties.

The second edition was published in Circular No. 150 dated 11 October 2016. It includes the following standards: (150, 11 October 2016, page 22) :

- Algerian Auditing Standard No. 300: Planning the Audit of Financial Statements. The standard recommends establishing a strategy for the audit process that includes advance planning for the audit of financial statements and records, by focusing first on selecting a highly competent audit team, identifying anticipated problems and devising appropriate solutions.

- Algerian Auditing Standard No. 500: Substantiating Evidence. The standard sets out the key audit procedures for the organisation's records and ledgers (journal, general ledger, etc.) and supporting documents for financial transactions (invoices, receipts), as well as physical checks of assets. The standard also sets out the key characteristics of the evidence provided (sufficiency, relevance, significance and reliability).

- Algerian Auditing Standard No. 510: Initial Audit Procedures – Opening Balances. This standard addresses the opening balances for the new financial year, which are the closing balances of the previous year; it is therefore necessary to verify that they have been correctly carried forward to the current period and that the impact of changes in accounting policies has been recorded.

- Algerian Auditing Standard No. 700: Forming an Opinion and the Audit Report on Financial Statements sets out the auditor's obligation to express an opinion on the reliability of the financial statements and the extent to which they present a true and fair view of the entity's financial position, based on the audit evidence gathered during the audit process. An unqualified opinion is issued if the financial statements have been prepared in accordance with the applicable accounting framework; a qualified opinion is issued when the financial statements contain material misstatements. This is the subject of the following paragraphs.

2.1.1. The nature of material misstatements

During the audit process, the auditor may uncover numerous financial irregularities resulting either from errors in the application of administrative or accounting procedures, or from the failure to apply accounting standards; they may also be the result of fraud aimed at misappropriating the organisation's assets. Consequently, material misstatements arise which affect the strength of the internal control system and the reliability of the financial statements. Material misstatements are therefore divided into two categories: error and fraud. Firstly, several organizations have defined 'error' from an accounting perspective within the context of the standards they have issued, including:

- The International Federation of Accountants (IFAC) defined the concept of error in International Standard on Auditing 240, paragraph 05, as 'unintentional misstatements in financial statements, including an amount or a disclosure. For example, (Masoud, 2003/2004) :
an error in the collection or processing of data;

an incorrect accounting estimate resulting from an oversight or misinterpretation of the facts;
 an error in the application of accounting principles relating to measurement, recognition, classification, presentation or disclosure;

- The Saudi Organization of Certified Public Accountants (SOCPA) has also defined an error in Saudi Auditing Standard No. 10, paragraph 140, as ‘any incorrect and unintentional information in the financial statements; errors may include the following’ (Standard) :

- errors in the collection or processing of data on which the financial statements are based;
- Unreasonable accounting estimates arising from unintentional negligence or misinterpretation of facts;
- errors in the application of accounting standards relating to amounts, classification, presentation or disclosure.

- The American Institute of Chartered Accountants has also defined the term ‘errors’ as unintentional misstatements in the financial statements in the form of monetary amounts or disclosures.

- Fraud is the opposite of an error: whilst an error is unintentional, fraud is deliberate, with the aim of presenting the financial statements in a manner that does not reflect their true picture, thereby causing the organisation’s financial statements to fail to give a true and fair view of its financial position. The International Federation of Accountants (IFAC) has defined it in International Auditing Standard No. 240, paragraph 05:(standard) “The term ‘fraud’ refers to an intentional act by one or more persons, whether management, staff or third parties, which results in a misstatement in the financial statements and may include fraud” (Salamah, 2016, p. 83) :

- misappropriation of assets;
- Concealment or omission of the effects of transactions from records or documents;
- Recording fictitious transactions and the misapplication of accounting policies

2.1. The role of auditing standards in detecting material misstatements:

The existence of accounting standards and their application by the accountant does not preclude the possibility that the financial statements may contain instances of fraud or error, which the auditor detects on the basis of auditing standards, whether at the level of the internal control system or at the level of the financial statements. The role of auditing standards in detecting such irregularities is highlighted as follows:

- Enhancing the reliability and credibility of the financial statements and the internal control system.
- Enhancing the organization’s competitiveness through the reliability and transparency of its financial statements, which in turn leads to cost-saving programs , improved product quality and an increased market share.
- Increasing investor confidence in the stock market, which in turn affects trading volumes and share prices.

2.1.1 The role of auditing standards in detecting weaknesses in the internal control system:

There is growing interest in studying and properly evaluating an organization's internal control system; for this reason, auditing standards contain several points relating to the internal control system. The standard ‘Study and Evaluation of the Internal Control System’ has been issued, in addition to other standards addressing this element.

- Definition of the internal control system

An internal control system is defined as the organisational framework and other measures designed to achieve a set of objectives, namely: the protection of assets; testing the accuracy and reliability of accounting data; promoting efficient operations; and encouraging compliance with management policies.

- Auditing standards addressing deficiencies in the internal control system

Algerian auditing standards have focused on examining an organization’s internal control system in several respects, which we outline below:

- Management shall not impose any restrictions on the examinations and observations necessary to carry out the audit; this ensures that the auditor has complete freedom in preparing the audit, as stipulated in Standard No. 210.

- Standard 210 also stipulates that the auditor must ensure that the prerequisites for the audit are met, in order to avoid any pressure being exerted by management on the auditor whilst carrying out the audit.
- Confirm that management has agreed to the terms and conditions set out in the engagement letter, in order to avoid any disagreements between management and the auditor that might affect the auditor's opinion.
- The auditor must liaise with the previous auditor in accordance with ethical standards and draw up a detailed audit programme to minimise the risk of a substandard audit.
- Standard No. 300 recommends planning the audit process based on an examination of the organisation's environment (the nature and scale of its activities, the organization itself, and the regulatory and legal framework to which it is subject).
- Enquiries should be made of the organisation's staff, including management, supervisors and relevant personnel.
- In accordance with Standard No. 500, the auditor must carry out a physical inventory by examining documents and records to ensure that balances are accurate.
- The auditor must carry out a physical inventory and verify that the assets actually exist as shown in the organisation's records.
- Standard No. 580 recommends written representations, including those from the organisation's management, which clarify the strengths or weaknesses of the internal control system.

2.2.1. The role of auditing standards in detecting material misstatements affecting the reliability of financial statements:

By examining the organization's internal control system, selecting the sample size, utilizing specific supporting evidence, and carrying out other audit procedures, the auditor seeks to verify the accuracy of the accounting information and issue an opinion on the organization's financial statements.

- Definition of financial statements

These are financial statements that must be presented on a continuous basis to reflect the organization's financial position, and are prepared no later than four months after the end of the financial year. The financial statements provide information that allows comparisons to be made with previous financial years, and are presented in the national currency.

- Qualitative characteristics of financial statements:

Qualitative characteristics are the attributes that make the information contained in financial statements useful to users. Financial statements are described as presenting a true and fair view, or fairly representing the financial position, performance and changes in the financial position of the organization. The fundamental qualitative characteristics are as follows:

- **Comprehensibility:** One of the fundamental characteristics of the information contained in financial statements is that it should be readily comprehensible to users. To this end, users are assumed to possess a reasonable level of knowledge of business, economic and accounting matters, and to be willing to examine the information with a reasonable degree of care.
 - **Relevance:** For information to be useful, it must be relevant to the needs of decision-makers; it is relevant when it influences users' economic decisions by helping them to assess past, present and future events.
 - **Reliability:** For information to be useful, it must be reliable and dependable. Information is reliable if it is free from material errors and bias, and if users can rely on it as information that truthfully conveys what it is intended to convey or is expected to convey.
 - **Truthful representation:** For information to be credible, it must truthfully represent financial transactions and other events, the nature of which is understood or reasonably expected to be conveyed.
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- Substance over form: The substance of financial transactions and other events does not always correspond to their legal form. For example, an organization may dispose of an asset to another party in a manner which, based on its documentation, is understood to be a transfer of ownership of the asset to that party; however, there may be agreements ensuring continuity that prevent the organization from receiving future benefits from the asset. In such circumstances, the sale does not truthfully represent the transaction that took place.
- Objectivity: The information presented in the financial statements must be objective and free from bias in order to be credible; financial statements are not considered objective if the method of selecting or presenting information influences decision-makers or judgments with the aim of achieving a predetermined outcome.
- Prudence: Preparers of financial statements are expected to address the uncertainties surrounding and inherent in many unavoidable events and circumstances, such as the recoverability of doubtful debts, the estimation of the useful lives of fixed assets, and warranty claims that may arise. Such uncertainties are acknowledged by disclosing their nature and extent of impact, and by exercising prudence when preparing the financial statements. Prudence refers to adopting a degree of caution in making the necessary estimates in the face of uncertainty, so as not to result in the overstatement of assets and income or the understatement of liabilities and expenses.
- Completeness: In order to be reliable, the information in the financial statements must be complete, subject to the limits of materiality and cost. In other words, the omission of information from the financial statements could render them incorrect or misleading, and thus unreliable and inappropriate.
- Comparability: Users must be able to compare an organization's financial statements over time in order to identify trends in its financial position and performance. They must also be able to compare the financial statements of other organizations in order to assess their financial position. Consequently, the process of measuring and presenting the financial impact of similar financial transactions and other events must be carried out on a consistent basis for the organization.

- Auditing standards addressing distortions affecting the reliability of financial statements

Auditing standards aim to confirm the reliability of the financial statements in presenting the organisation's true financial position through several points, namely:

- Algerian Auditing Standard 210 ensures that management agrees to inform the auditor of any events that may affect the financial statements and disclosures, of which it became aware between the date of publication of the financial statements and the date of issue of the report.
- In accordance with Standard No. 505, external assurances reveal material misstatements, including risks of fraud.
- Management's refusal to allow the auditor to carry out such confirmations is evidence of the existence of material misstatements, the most significant of which is fraud.
- The auditor must seek information from management and, if necessary, from the organisation's governing body to determine whether events occurring after the balance sheet date have an impact on the financial statements; these include both anticipated events (such as loans, guarantees, disposals of assets and capital increases) and unanticipated events (such as the destruction of an asset due to fire or flooding...), as stipulated in Standard No. 560.
- Standard No. 560 recommends that the auditor be aware of all procedures put in place by management to ensure that subsequent events have been mitigated and their risks assessed.
- The auditor must obtain targeted evidence from management confirming that events occurring after the balance sheet date which required an adjustment or the disclosure of information in accordance with applicable accounting standards have been dealt with.
- The auditor must obtain written representations from management confirming that it has fulfilled its responsibilities to the fullest extent, particularly those relating to the preparation of the financial statements in accordance with Standard QM 580.

- Standard 580 also recommends that management provide written representations to the auditor, upon request, confirming that the information presented is relevant and clearly set out in the financial statements.
- Standard No. 300 recommends that the auditor carry out a thorough and sound planning of the financial statements to ensure a true and fair view of the organisation's financial position.
- In accordance with Standard No. 500, the auditor must review the organisation's records, including the journal and ledger, and monitor the accounting and documentary processing (invoices, cheques, etc.) to ensure the accuracy and transparency of the financial statements.
- Standard No. 510 recommends that the auditor review the opening balances, which are the closing balances of the previous year, given their impact on the financial statements.
- The auditor must issue a qualified opinion or an adverse opinion if they find that the opening balances and changes made to accounting policies have an impact, in accordance with Standard No. 700.

2. The Empirical Study

In order to achieve the objectives of the study, data were collected via questionnaires distributed for this purpose; the data were transcribed and the results analysed using SPSS (Statistical Package for the Social Sciences) and Excel.

1.2. Components and methodology of the study:

The study sample was determined prior to the distribution of the questionnaires; 43 questionnaires were distributed and delivered to the study sample either in person or via email. After collecting as many of the distributed questionnaires as possible—estimated at 40—and during the sorting process, 35 were retained as valid for the study, whilst the remaining questionnaires were discarded as the study period had ended.

This is illustrated in the following table:

Table No. (01): Statistics on distributed and returned questionnaires

Data	Number	Percentage
Questionnaires distributed	43	100%
Questionnaires returned	40	93.02%
Cancelled applications	05	11.62%
Applications eligible for consideration	35	81.39 %

Source: Compiled by the researchers

It is clear from the above that the valid questionnaires for the study, on which the findings will be based, number 35, representing 81.39 per cent of the total number of questionnaires distributed, which is estimated at 43.

The study sample has several characteristics, which are set out in the table below.

Table 2: Characteristics of the study sample

Characteristics	Gender		Educational Qualification			
	Male	Female	Bachelor's	Master's	Master's	PhD
Number	20	15	12	8	5	10
Percentage	57.14	42.85	34.28	22.85	14.28	28.57

Source: Compiled by the researchers

The table shows that the sample comprised a mix of both genders, as well as a variety of academic qualifications, given the different positions they hold, ranging from account managers, trainee accountants and university lecturers.

2.2. Analysis and examination of the questionnaire items:

In order to achieve the study's objectives, the Statistical Package for the Social Sciences (SPSS) was used to analyse the study data through:

- Cronbach's alpha test to measure the internal consistency of the study sample and the reliability of the sample's opinions;
- Percentages;
- Arithmetic means and standard deviations to measure the arithmetic mean and determine the deviation of the responses from the hypotheses, with the study divided into two main themes.
 - Axis 1: The role of Algerian auditing standards in detecting material misstatements in the internal control system
 - The first axis: the role of Algerian auditing standards in detecting material misstatements in financial statements and reports.

1.2.2. The first axis

In this section, we have sought to examine the sample's responses regarding the testing of the first hypothesis: 'Algerian auditing standards contribute to the detection of material weaknesses in the internal control system'. The statements in this section were derived from passages in the Algerian Auditing Standards in both of their editions. Consequently, the responses addressed the question: 'Do Algerian Auditing Standards contribute to the detection of material weaknesses through...?' with the options 'Agree', 'Disagree' or 'Neutral'. The responses are set out in the table below.

Table No. (03): The role of Algerian auditing standards in helping to detect material weaknesses in the internal control system

Statements	Agree		Disagree		Neutral		Arithmetic mean	Standard deviation	Overall trend
	Frequency	Proportion	Frequency	Proportion	Frequency	Proportion			
Management does not impose any restrictions on the tests and checks necessary to carry out the audit	34	97.1	00	0	01	2.9	1.06	0.338	Agree
- The auditor's assurance on the prerequisites for the audit	31	88.6	02	5.7	02	5.7	1.17	0.514	Agree
Confirmation of management's	29	82.9	02	5.7	04	11.4	1.29	0.667	Agree

approval of the terms and conditions set out in the engagement letter									
- The auditor should liaise with the previous auditor in accordance with ethical standards and draw up a detailed audit programme to minimise the risks of a substandard audit	28	80	3	8.6	4	11.4	1.31	0.676	Agree
- Study of the organisation's environment (nature and scale of activities, and the regulatory and legal framework to which it is subject)	29	82.9	2	5.7	4	11.4	1.29	0.667	Agree
- Conducted enquiries amongst the establishment's staff, including management, supervisors and department staff	31	88.6	02	5.7	02	5.7	1.17	0.514	Agree
- The auditor carries out the accounting inventory by examining documents and records to	29	82.9	02	5.7	04	11.4	1.29	0.667	Agree

ensure that the balances are correct.									
- The auditor must carry out a physical inventory and verify that the assets actually exist as shown in the organisation's records.	30	85.7	3	8.6	2	5.7	1.2	0.531	Agree
Overall average for the axis							1.22	Agree	

Source: Compiled by the researchers

An analysis of the data in the table reveals that the general trend in the study sample's responses centres on agreement with all statements. The general trend for this axis is 'Agree', with an arithmetic mean of 1.22. We conclude that the study sample believes that Algerian auditing standards contribute to the detection of material misstatements in the internal control system by giving the auditor complete freedom to plan the audit process and review administrative procedures and their implementation, as well as the methods for verifying accounting entries and taking stock of assets.

2.2.2. The second theme

This section examines the sample participants' responses regarding the testing of the second hypothesis: 'Algerian auditing standards contribute to the detection of material misstatements in financial statements and schedules'. The statements for this axis were derived from paragraphs in both editions of the Algerian Auditing Standards. Consequently, the responses addressed the question: 'Do Algerian Auditing Standards contribute to the detection of material misstatements through...?' with the options 'Agree', 'Disagree' or 'Neutral'. The responses are set out in the table below.

Table No. (04): The role of Algerian auditing standards in detecting material misstatements in financial statements and schedules

Statements	Agree		Disagree		Neutral		Arithmetic mean	Standard deviation	Overall trend
	Frequency	Proportion	Frequency	Proportion	Frequency	Proportion			
- Algerian Auditing Standard 210 requires management to ensure that the auditor is informed of any events that may affect the financial statements and statements, of which management became aware	30	85.7	3	8.6	2	5.7	1.2	0.531	Agree

between the date of publication of the financial statements and the date of issue of the report.									
-External assurance reveals material misstatements, including fraud risks.	35	100	0	0	0	0	1	0	Agree
- The management's refusal to allow the auditor to carry out the necessary procedures is evidence of significant irregularities, the most significant of which is fraud.	28	80	3	8.6	4	11.4	1.31	0.676	Agree
- The auditor should request information from management and, where necessary, from the organisation's governing body to ascertain whether events occurring after the balance sheet date have an impact on the financial statements; these include both anticipated events (such as loans, guarantees, disposals of assets, capital increases, etc.) and other unforeseen events (destruction of an asset due to fire or flooding, etc.)	29	82.9	2	5.7	4	11.4	1.29	0.667	Agree
- The auditor must be aware of all procedures put in place by management to ensure that subsequent events	30	85.7	3	8.6	2	5.7	1.2	0.531	Agree

have been mitigated and their risks assessed.									
- The auditor must carry out targeted substantive procedures directed at management to confirm that events occurring after the date of the financial statements, which required an adjustment or the disclosure of information in accordance with the applicable accounting standards, have been dealt with.	31	88.6	2	5.7	2	5.7	1.17	0.514	Agree
- The auditor must obtain written representations from management confirming that it has fulfilled its responsibilities to the fullest extent, particularly those relating to the preparation of the financial statements.	29	82.9	2	5.7	4	11.4	1.29	0.667	Agree
- Management is required to provide the auditor, upon request, with written representations confirming that the information provided is relevant and clearly set out in the financial statements and schedules.	30	85.7	03	8.6	2	5.7	1.20	0.531	Agree
- The auditor shall issue a qualified opinion or an adverse opinion if they find that the opening balances and changes have	31	88.6	1	2.9	3	8.6	1.20	0.584	Agree

affected the accounting policies.									
- The auditor issues an unqualified opinion if the financial statements have been prepared in accordance with the applicable accounting framework.	33	94.3	1	2.9	1	2.9	1.09	0.373	Agree
- The auditor issues a modified opinion if the financial statements contain material misstatements.	31	88.6	02	5.7	02	5.7	1.17	0.514	Agree
Overall average for the second axis							1.24	Agree	

Source: Compiled by the researchers

The table illustrates that, upon analysing the data, we observe that the general trend in the study sample's responses centres on agreement with all statements. The overall trend for this axis is 'agree', with an arithmetic mean of 1.24. We conclude that the members of the study sample believe that Algerian auditing standards contribute to the detection of material misstatements in the organisation's financial statements and reports.

3. Results and Discussion:

Analysis of the questionnaire data reveals the importance of Algerian auditing standards in detecting material misstatements both in the assessment of the internal control system and in establishing the reliability of financial statements. Consequently, the study has validated the main hypothesis based on the validity of the two sub-hypotheses.

- Hypothesis 1: Algerian auditing standards contribute to the detection of material misstatements in the internal control system;
- Hypothesis 2: Algerian auditing standards contribute to the detection of material weaknesses affecting the reliability of financial statements and disclosures.

The study produced several findings, which we outline as follows:

- The proper application of Algerian auditing standards ensures the success of the audit process;
- The auditor's application of auditing standards enables them to detect errors and instances of fraud.
- The reliability of financial statements is demonstrated by the auditor's detection of errors and irregularities in the financial statements and the report.

Conclusion:

The study has demonstrated the importance of Algerian auditing standards in detecting material weaknesses in internal control systems, which have a significant impact on the reliability of financial statements and the extent to which they accurately represent the organisation's financial position. These weaknesses arise either from an error in the application of an internal control procedure, which weakens the system so that its weaknesses outweigh its strengths, or from an error in the accounting treatment of financial transactions in accordance with the applicable accounting

framework. In addition to errors, there is another type of irregularity: errors that are intentional – or, more accurately, fraud – aimed at stealing the organisation's assets; it is the auditor's responsibility to detect this.

Finally, this study serves as a starting point for further research, through which it will be possible to examine cases of poor audit risk and the role of auditing standards in assessing the risk of fraud.

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