

**The effect of the regulation of the statutory audit profession on the financial audit quality  
 “A field study on a sample of professionals and academics in the wilayats of Ouargla and  
 Ghardaia during the year 2019”**

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**Received:**07/05/2020

; **Revised:** 20/05/2020 ;

**Accepted:** 10/07/2020

**Summary:**In line with the global changes and the action for international standardization, the financial audit profession in the Algerian business environment knows significant regulatory changes in the last decade.Which encourages the research to find out the effect of the regulation of the profession on the financial audit quality in the Algerian business environment, by analysing the opinions of a sample consisting of (68) respondents, among practitioners of the statutory audit profession, and academic researchers specialized in accounting and auditing in each of the Wilayats of Ouargla and Ghardaia. After collecting data during the year 2019, they are analysed with the descriptive statistics, also the (Mann-Whitney U) test is used to detect expected differences between the opinions of the tow study samples.

The study concluded that the regulation of the profession provides incentives that help improving quality if they are activated, but also includes deficiencies that may limit quality if they are not remedied. The results also indicated that there is consensus among professionals and academics regarding the effect of regulation on quality, with greater support from academics, reflecting the expectation gap between professionals and academics in terms of perceiving factors influencing financial audit quality.

**Originality/value:**This study extends the auditing literature on the relationship between the regulation and quality (in two opposite directions) by examining the effect the incentives and deficiencies offered by the regulation on the financial audit quality in Algeria.

**Practical implications:** The contribution of this study consists in the recommendations it submits to the regulating bodies of the profession in Algeria in order to make regulatory adjustments able to activate the incentives offered by the regulation to help in improving the quality, and on the other hand, work to remedy the deficiencies involved in the regulation and amend them to remove the barriers that limit quality.

**Research limitations:** The sample is limited to two (02) Wilayats from the total of the Wilayats of Algeria,and the study does not cover all factors affecting the financial audit quality related to the regulation of the profession in Algeria.

**Keywords:**regulation of profession, statutory audit, financial audit quality, incentives, deficiencies, influencing factors, Algeria.

**Jel Classification Codes :** M42;G38

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## **I-Introduction:**

The financial audit quality (FAQ) is often seen as the possibility that an auditor can detect and report errors in customer financial statements to enhance the credibility at the side of stakeholders,

which confirms the importance of human capital in audit offices given the characteristics of the auditor consisting in specialized knowledge and skills that contributes to improving quality. But what is remarkable in previous research is that it focused mainly on the auditor's characteristics, ignoring the fact that the auditor is also subject to regulatory restrictions that can affect his performance and decisions in a way that reflects the quality of his work at the same time, that the compliance with standards and legislative provision is the fundamental reference for the auditor; that is financial auditing profession requires a continuous process of regulation to keep up with the requirements imposed by the economic reality. Therefore, the regulators of the financial auditing profession always strive to reregulate the profession in response to continued improvement required by quality, in order to meet the requirements of various stakeholders in companies subject to audit in different countries. based on the regulatory experience of the auditing profession in the United States of America, and what is known as the law (Sarbanes-Oxley, 2002), which is the most important regulatory change that affected the profession after the scandals of the collapse of major international companies represented in the bankruptcy of the American Energy Company (Enron) and the Telecom Company (WorldCom), which was audited by the International Audit Office (Arthur Andersen). Thus the financial auditing profession and its practitioners had been liable for what happened, thereby obtaining quality auditing services became a prerequisite for audit stakeholders, which made countries initiate a reregulation of the profession to limit the occurrence of these scandals again, similar to the enactment of the Financial Security Law of France in 2003. Algeria was not immune from these events, as it witnessed the financial and administrative corruption scandals that impeded economic development, the most important of which was the Khalifa Bank case in 2002, which subsequently led to the bankruptcy of the entire Khalifa companies complex, which cost the Algerian State and private investors a loss of about (05) billion dollars. After that, announced the scandal of the Energy company (Sonatrach) in 2009 (Chama, 2019, pp. 59-60), which made Algeria making regulatory changes to reform the profession of financial auditing represented in the promulgation of the (Law 10-01, 2010), which is considered as a change of the previous regulation (law 08-91, 1991). Thus, the regulation of the financial auditing profession in Algeria has become similar to the French model in terms of the State's interference in regulating the profession, and it has some common points with the American model, such as the establishment of quality control bodies. In order to improve the FAQ according to the requirements of international auditing standards, the process of regulating the profession in 2016 resulted in the issuance of Algerian auditing standards inspired by international standards (Baraka, Benikhlef, & Kasmi, 2018, p. 167), In accordance with this, and proceeding from the fact that the regulation of the statutory audit profession is one of the factors expected to influencing of the FAQ, we can formulate the study's problematic as follows:

**Does the regulation of the statutory audit profession have any effect on the FAQ in the Algerian business environment from the professionals and academics' viewpoint?**

### **I.1. Study hypotheses:**

To answer the main study's problematic, the researchers relied on the following hypothesis: "Professionals and academics are aware of the fact that the regulation of the statutory audit profession in the Algerian business environment affects quality by providing incentives that help to improve the FAQ if they are activated, but also includes deficiencies that may limit the FAQ if they are not remedied".

In light of the study main hypothesis, the sub-hypotheses can be listed as follows:

- There are no statistically significant differences between the opinions of professionals and academics regarding the extent of impact of the incentives offered by the regulation of the profession that help improve the FAQ in the Algerian business environment if they are activated;
- There are no statistically significant differences between the of professionals' and academics' opinions regarding the degree of effect of deficiencies in the regulation of the statutory audit profession that may limit the FAQ in the Algerian business environment if they are not remedied.

**I. 2. Previous studies:** We set out hereunder some of the previous studies that dealt with the relationship between the regulation and the FAQ.

**1. (Yu-Shu & Yi-Pei, 2009) study:**

The study aimed to test the relationship between the quality of the financial auditor and investment in human capital represented in (scientific qualification; the number of years of work experience; professional certificates; and continuing professional education programs). The study sample consisted in (4865) firm-year observations over the period from 1989 to 2004, issued by the Oversight Committee of Taiwan's Financial Markets. To achieve the study's objective, linear regression analysis and logistical modelling. were used. At the end, the main findings indicated that increased investment in human capital corresponds to a higher level of the financial auditor quality.

**2. (ALBeksah, 2016) Study:**

The study aimed to describe and analyse the relationship between auditors' commitment to the Code of conduct and professional ethics rules and the FAQ, based on the hypothesis that auditors' commitment to the code prevents errors and financial irregularities. To achieve this goal, the researcher relied on the previous literature that dealt with the relationship between auditors' compliance with the code and improving quality. Using the descriptive analytical approach, the study found a positive correlation between the commitment of auditors to the Code of conduct and professional ethics rules and improving the FAQ.

**3. (Van Linden & Hardies, 2018) Study:**

This study concerned the examination of the relationship between the stringency of licensing requirements to practice the financial auditing profession in European Union countries (obtaining a higher educational degree and a longer training period) and FAQ, by assessing the relationship between those professional requirements and abnormal working capital accruals, based on a sample made up of 3,782 firm-year observations from 20 different countries in the European Union. The results revealed that the requirements for obtaining a master's degree compared to a bachelor's degree are closely related to the accruals quality in audited financial statements, and abnormal working capital accruals for audit clients was lower in the EU countries that require training for at least three years to obtain a practicing licensing of financial auditing.

**4. (Messhel & Guettaf, 2019) study:**

The study aimed to analyse the effect of the law 1/10 regulating the financial auditing profession in Algeria on the FAQ on the bases of the results of academic research and the opinions of professionals. The study concluded that this law has substantially changed the regulation of the audit profession in Algeria, but the FAQ remains unguaranteed, and this may be due to the fact that the legislator did not take into account the specificities of the country's legislative and economic environment in order to establish an appropriate framework that guarantees the FAQ, as several studies over the past six years lead to think that the financial auditor independence and competence in Algeria is not subject to strict legislation, which means that Lthe law of 1/10 is not necessarily effective.

### 5. (Hashem & Sujud, 2020) study:

The study aimed to know the impact of the use of information technology on the FAQ in Lebanon. To achieve the aim of the study, a questionnaire was prepared and distributed to a random sample of 130 financial auditors in the Lebanese audit offices. The most important results indicated the awareness among auditors of the positive impact of the use of information technology on the FAQ, thanks to the accuracy of the technology in the production and classification of data, in addition to improving audit tasks and documenting them, as well as economy in time and effort, reducing costs and improving the analytical procedures of the auditor. Among the most important recommendations of the study is the organization of specialized training courses in the field of information technology to develop the efficiency of the auditor in the use of electronic auditing in planning tasks, gathering evidence and preparing the financial audit report.

## II- Conceptual introduction regarding FAQ and its relationship to the regulation:

Financial auditing profession is an economically motivated service designed to reduce information risks to stakeholders who rely on expert knowledge and skills used in a systematic process that takes into account the specific needs of the customer where the result is not observable and subject to market constraints and regulators' influences (Knechel, 2016, p. 219). On the other hand, DeAngelo defines the FAQ as follows: "market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system and (b) report the breach" (DeANGELO, 1981, p. 186). This definition focuses on what (Beattie) explained about the characteristics of the outcome FAQ, without taking into consideration the audit process characteristics. Researchers have subsequently recognized that these two technical dimensions of (competence and independence) do not represent a full set of factors affecting quality. That is the effectiveness of the profession's regulatory framework is also one of the factors affecting the FAQ (Beattie, Fearnley, & Hines, 2013, p. 57). This is consistent with Sutton's view point about the fact that the definition or understanding of the FAQ differs according to the viewpoints of participants in the audit market due to their different roles and expectations (Sutton, 1993, p. 90).

On the other hand, (Knechel) insists that it is important to note that DeAngelo's definition implicitly treats the auditor's competence and independence as two orthogonal factors, i.e. each has an impact on the other. This is an important assumption that has been omitted, although it allows regulators, professionals, and researchers to consider each quality factor separately of the other, since there may be an important relationship between the two, which explains how changes in the auditing profession regulation and tasks affect the FAQ (Knechel, 2016, p. 216). The regulations related to the preparation of audit reports are also an example of the interaction between the practice of the auditing profession and the regulation of the profession. It may also have effects on regulators when studying how to use the regulatory rules as a way to improve the FAQ by paying attention to audit reports (Maroun & Atkins, 2014, p. 248).

Furthermore, an important paradox concerning FAQ indicates that although audit processes are the determinant of FAQ, regulatory efforts to make audits more standardized with international standards may have an impact in reducing the FAQ (Humphrey, Kausar, & Loft, 2011, p. 433). What is interesting in the previous research is that it focused mainly on the auditor's characteristics, ignoring the fact that the auditor is also subject to regulatory restrictions that can affect his actions and decisions in a way that reflects, at the same time, the quality of his work (Ben Slimane, 2016, p. 8), as the audit offices and individual auditors are affected in producing high-quality audits by the institutions that regulate financial auditing profession and punish audit offices for misconduct that produce low-quality audits (Francis, 2011, p. 126). In a related context, the UK Financial Reporting Council issued a framework of proposals in 2008 to define the factors affecting the FAQ, including five proposed factors, among which were others out of the auditors control, which is the regulatory and legislative environment (Financial Reporting Council, 2008, p. 7). Accordingly, HUMPHREY

estimates that more attention must be paid to the regulatory environment in which the auditor carries out his profession, and any future regulatory reform plan should take into account the issues of professional development, innovation, regulatory oversight, social responsibility, and competition in the audit market to achieve continuous FAQ improvement (Humphrey, Kausar, & Loft, 2011, p. 433).

**III – The regulation of the statutory audit profession in Algeria:** The process of eliciting factors affecting the FAQ derived from the regulation of the statutory audit profession resulted in the conclusion that the regulation provides incentives that help in improving the quality if they are activated, and also include deficiencies that may limit the quality if they are not remedied. They are reviewed as follows:

### **III.1. Incentives to help improve quality**

**1. Specialized higher education:** To practice statutory audit profession in Algeria, the regulation grants the right to participate in the contest to join the Institute of Specialized Education for Accountant Profession for the holders of a degree level or more in one of the following specialties : Accounting; Finance; Auditing (Arrêté interministériel, 2017, p. 11). From our viewpoint, this regulatory requirement may be an opportunity to improve the FAQ, because the auditors who have a university degree specializing in accounting and auditing may have a deeper understanding that makes it easier for them to perform their tasks compared to other specialty degree holders (Chu , Florou, & Pope, 2018, p. 11), This is consistent with the findings of the (Chu, Florou, & Pope, 2016, p. 24) study which confirms that auditors with a university degree specializing in accounting are more likely to detect profit manipulation than their counterparts with a university degree specializing in social sciences. On the other hand, (Gul, & Yang) study showed opposite results that obtaining a higher education certificate in accounting is not related to the FAQ in the context of business environment in China (Chu , Florou, & Pope, 2018, p. 12).

**2. Contest for joining the Institute of Specialized Training:** The access contest to the Institute of Specialized Training includes written and oral tests to accept the candidates who obtain a general pass mark in the written test equivalent to or greater than (10/20) to take the oral exam represented in the assessment of the candidate through an interview conducted with him concerning the accountant expert and the statutory audit professions as provided by the profession regulation (Arrêté interministériel, 2017, p. 12).

**3. Specialized theoretical training:** After success in the contest for joining the Institute of Specialized Education for the Accountant Professions, the student receives a theoretical training specialized in accounting experience for a period of three years (Décret exécutif N°12-288, 2012, pp. 12-13), where (34) courses are taught covering the following axes: (Accounting, Finance and Auditing; Economics, Mathematics and Statistics; Law, Administration and Professional Ethics; Information and Communication Technology and Languages), with a total extent of up to (2390) hours. In contrast, the theoretical training for students of statutory audit is limited to a period of two years with (23) courses covering the axes mentioned above with the exception of (economics and IT), the volume of hours is estimated (1660) (Arrêté interministériel, 2017, pp. 16-18).

**4. Professional training:** The regulation requires students who have chosen the statutory audit profession or accounting experience certificate to follow a regular professional training, after which they undergo the final exam to obtain a statutory audit certificate or an accountant expert certificate (Décret exécutif N°12-288, 2012, p. 12). The professional training for the accountant expert or the statutory auditor is only afforded to the candidates who hold a postgraduate degree in finance and deep accounting or a graduate certificate in accounting and auditing from an institute of specialized education for the accounting profession. The professional training for the accountant expert and the statutory auditor is done by a professional or company appointed by The National Accounting Council. The maximum number of trainees is five trainees for each supervisor. The period of the professional training is limited to two years for both the expert accountant and the statutory auditor in each accounting expertise office or statutory audit office (Décret exécutif N°11-393, 2011, p. 17). In this context, the Institute of Chartered Accountants in England considers that the audit offices are educational institutions where professional training and development is an integral part of all



auditors' career, and this continuous training and development will include regular monitoring, testing and evaluation ( ICAEW), 2002, p. 10).

**5. Control of the professional training:** To ensure the regular functioning of the training, a training observer is appointed from among the professionals registered since at least two years in the lists of the National Order of Accounting Experts and the National Chamber of Statutory Auditors. At the end of the training, the National Accounting Council evaluates the way the trainee performs his obligations and decides one of the following three cases: (Delivering the end-of-training certificate, refusing to deliver it, or extending a new training period for one year during which the trainee is called to improve and deepen his technical and professional knowledge (Décret exécutif N°11-393, 2011, p. 19).

**6. License requirements to practice the profession :** the regulation of financial auditing profession in Algeria requires that the candidate must meet (6) conditions to obtain licensing, the most important of which is obtaining the Algerian certificate of accounting expertise or statutory audit, that can only be obtained after passing the following stages (Décret exécutif N°12-288, 2012, p. 13):

- Obtaining a postgraduate certificate in accounting and auditing for statutory auditors, and a postgraduate certificate for in-depth accounting and finance for expert accountants;
- The completion of the regular applied training culminating in the end-of-training certificate;
- Success in the final exam of the accounting expertise or statutory audit by obtaining a general pass mark over or equal to (10/20), provided that the mark of both the written and oral tests is not less than (08/20). In the same context, the International Auditing and Assurance Standards Board determines in its proposed framework for FAQ, licensing to practice the profession as a primary factor affecting the FAQ, and as a guarantee that audits are performed by qualified people, and respond appropriately to what is necessary given the role of the auditing profession in serving the public interest (IAASB, 2014, p. 36).

### III.2. Regulatory deficiencies that limit quality

**1. Disruption of the license to practice the profession:** It should be noted that since the promulgation of the (Law 10-01, 2010), date of the restructuring of the professional organization charged with granting licensing, a new structure of supervising the profession represented in the National Accounting Council was designated, but has not yet finalized the settlement of the trainees' files who were on the date of the promulgation of the law under training, and they had not been granted licensing yet. Furthermore, no new trainees have been registered despite the great demand, especially by university graduates specialized in accounting and auditing. Despite the legal decrees regulating the conduct of the specialized training (in 2017) have been issued, the Institute for specialized Education has not yet been operational (Namoun, Aggoune, & Bouchelrem, 2018, p. 153) and was reflected in stopping the granting of licensing to practice the statutory audit profession in accordance with the procedures of the law (08-91, 1991) without launching the application of the specialized training mechanisms stipulated by the law (10-01, 2010). In a context related to the requirements of licensing for practicing the profession, it is noted that the regulation of the statutory audit profession did not address the requirement of professional experience (Ali-Abdessamed , 2015, p. 288). What more precisely means that the regulation of the profession neglected the inclusion of a minimum level of professional experience as a condition for obtaining licensing, despite the importance of professional experience in auditing that is gained from the auditor's experience in examining the financial statements in terms of length of practice, as well as the number of tasks that were performed (Hari, Diah, & Gustita, 2020, p. 49). In an attempt to evaluate the UK Financial Reporting Council's quality proposal, HOLM criticized the proposal for emphasizing the auditors' competence without addressing their professional experience, and explained how auditors' lack of experience caused failures such as the banking crisis that occurred. So the deficiency that was not directly addressed in the quality framework consists in the fact that most of the client's audit tasks are performed by unqualified auditors with less than three years of experience (Holm & Zaman, 2012, pp. 56-57). In our opinion, this is one of the deficiencies in the regulation of the profession that may limit quality in the Algerian business environment.

**2.The specialized training program for the statutory auditor:** The joint ministerial decision that determines the pedagogical programs for specialized training for the accountant professions omitted the inclusion of the course of accounting information technology within the specialized training program for the statutory auditor despite its importance for the profession (Arrêté interministériel, 2017, pp. 16-17). What raises the question is the testing of candidates in the same course to access contest for the institute of specialized training, knowing that it was included in the program of the theoretical formation of the accountant expert. based on this we confirm that the competence or the ability of the auditor to detect errors is directly related to the audit process in which the auditor optimally chooses the costly production inputs, i.e. effort (time spent on audit), and the technology used, which directly determines the ability of the financial auditor to detect material misstatement (Sirois, Marmousez, & Simunic, 2016, p. 114). Given the importance of information technology for the statutory audit profession, we consider its omission within the training program one of the deficiencies in the regulation of the profession that limits the FAQ.

**3.Transfer of the competence of the statutory audit profession to the Ministry of Finance:** The restructuring of the bodies supervising the profession resulted in the “creation of a National Accounting Council under the authority of the minister in charge of finance that undertakes the tasks of licensing, accounting standardization, regulation and follow-up of accounting professions (Loi 10-01, 2010, p. 3). From the legal view point, this legislative text authorized the National Accounting Council to combine the regulation and control of the profession, which is considered as a monopoly of powers that is contrary to the constitutional principle of separation between powers (Merkeb, 2018, p. 315). From the point of view of financial auditing, this regulatory procedure of transferring the powers of the statutory audit profession to the Ministry of Finance is inconsistent with the independence of the profession, which is one of the factors affecting the FAQ. This is what has been confirmed by the results of (Ali-Abdessamed, 2015, p. 288) study that the profession still has many deficiencies because of the non-effectiveness of the National Accounting Council and the three other professional bodies in achieving quality. This regulatory action is also seen as hampering the development of the profession in Algeria, by denying it to join the International Federation of Certified Accountants, the latter requires the States to preserve the independence of the profession and leave its regulation to its practitioners so that its membership is accepted (Bahlouli, 2017, p. 134). Thus, the result of Algeria's failure to join the International Federation of Accountants is translated into the weak formation of practitioners of the statutory audit profession. The effective improvement of auditors' performance and the development of the auditing profession in Algeria depend on the adoption of international training programs to increase scientific and practical efficiency (Zouhri & Salah, 2015, p. 95). In the same way, the regulation of the profession has approved since 2016, the adoption of Algerian standards for auditing gradually in four regulatory decisions, each licensing decision contains four criteria, so the number until this study reaches (16) standards requiring practitioners of the statutory audit profession to apply them (Ministere de Finances, 2016), without pre-organizing training courses that explain how to work with them (Ayadi & Belguet, 2018, p. 553). It is also expected that the non-issuance of all the standards in one stage will make professionals face a great difficulty in applying some of the Algerian auditing standards separately from each other, due to their association with related auditing standards that are still not issued, and this is contradictory with the text of the international auditing standard No. 200 in paragraph 20, which emphasises on the auditor's compliance with all international auditing standards, due to the fact that Algerian auditing standards are derived from international auditing standards (Bouzida & Saige, 2017, p. 39). Another deficiency related to the control of the FAQ; as the regulation stipulates that five equal members committees should be established with the National Accounting Council, among which the Quality Control Committee (Loi 10-01, 2010, p. 3), but the latter does not carry out the tasks assigned to it despite the importance of the existence of this committee, it has not started its work yet (Ali-Abdessamed, 2015, p. 300).

**4.Practice of the statutory audit profession by two categories of professionals:** we can see clearly the overlap in tasks among accounting professions despite trying to separate the bodies

supervising the two professions. This makes financial audit in Algeria practiced by two categories of independent financial auditors: the expert accountants and the statutory auditors. That is, both of them aim to express an opinion regarding the financial statements of the entity subject to audit (Belhadj Ahmed, 2017, p. 63). The overlap in practicing the statutory audit profession is one of the reasons that make the task of financial auditing in Algeria complicated because of excessive enactment of laws, while the profession in Tunisia and Morocco is entrusted to one category: the accountant experts. Therefore, keeping the profession practiced by two categories of professionals is one of the deficiencies that keep dispersion among the profession members, and cause to the public confusion and misunderstanding resulting from the difference in titles of professionals. In addition, this overlap in tasks does not encourage professionals to cooperate scientifically and practically between each other (Cherigui, 2016, pp. 28-29).

**5. Professional ethics:** The availability of competent practitioners for the accounting and auditing profession necessitates the application of ethical standards affecting, in particular, the financial lists' preparation or review, which is reflected in the interests of the parties that use these lists. For this, the professional competence, ethical behaviour and independence have great importance, because they represent qualifying specifications for their holders and confidence-enhancing when performing their tasks (Zouhri & Salah, 2015, p. 96). In the same context, what is observed about the regulation of the profession, is that, although it was entrusted with the task of issuing the internal regulations for the National Chamber of Statutory Auditors in 2010, but the latter neglected the need to issue new ethical codes regarding the profession since the enactment of the law (10-01, 2010) was issued (Ali Abdessamed & Douifi, 2019, p. 251), knowing that it submitted in October 2015 a code of professional ethics, but it lacks the mandatory capacity because it has not been formally adopted as a law on professional ethics in the Official Journal (CNCC, 2015, p. 1), so the Code of Professional Ethics has not yet been developed since the amendment of the Executive Decree 136-96 of April, 15 related to the Code of Professional Ethics that has not been modified for more than twenty years with despite it is the most important law to regulate the profession, and its necessity to respond to the progress of the modern requirements of the profession, as well as its vulnerability to global updates (Merkeb, 2018, p. 315).

#### **IV – Methods and Materials:**

**Study community:** It consists of two categories; the first is represented by the financial auditors in Algeria, who are practicing the statutory audit profession (accountant experts and statutory auditors), while the second category lies in academic researchers specialized in the field of accounting and auditing in Algerian universities.

**2. Study sample:** Due to the large size of the study community, and its weak response rates, based on similar previous studies because professionals are busy and are not interested in returning the answer on time for study, the study sample was limited to each of the Wilayats of Ouargla and Ghardaia and we relied on a questionnaire, which was distributed either by direct delivery and receipt or by sending an electronic questionnaire to (60) professionals and (50) academics, in each of the wilayats of Ouargla and Ghardaia, (36) and (32) questionnaires were retrieved respectively.

**3. The statistical methods used:** To achieve the research objectives and the analysis of the collected data, a set of statistical methods was used, which were represented in descriptive statistics of the basic variables, by calculating the coefficient of stability and validity of the questionnaire paragraphs used in data collection. To confirm that the study variables follow natural distribution, we have used (Kolmogorov-Smirnov), then (Mann-Whitney) non-parametric averages difference test to test the study hypothesis. To apply the mentioned statistical methods to analyse the collected data, we have used the Statistical Package for Social Sciences (Spss-22).

**4. Measuring stability and validity of the study tool:** In order to measure the stability and validity of the study tool, the Cronbach's Alpha coefficient was used to test the internal consistency, as it is noted through Table No. 1 that all the variables of the two axes of the study are characterized by



stability and reliability according to the Cronbach's Alpha coefficient which achieved, respectively (0.752) and (0.814), as well as the validity coefficient of the questionnaire for the two axes of the study, which recorded respectively (0.867) and (0.902), and these are good ratios of high reliability, therefore we can say that the study tool is characterized by stability and its results are reliable.

## **V- Results and discussion:**

**Analysis of the study questionnaire:** Through this element, the results of the questionnaire will be analysed according to the two study axes, based on the calculation of the arithmetic average and standard deviation for all the questionnaire paragraphs, then determining the general trend of the responses of both parties of the sample for each of the questionnaire paragraphs.

### **V.1 Descriptive results of professionals and academics opinions:**

#### **1. The extent of the effect of the incentives provided by the regulation of the statutory audit profession which help improving the FAQ in the Algerian business environment if they are activated.**

By referring to the responses of the sample both parties among practitioners of the statutory audit profession and academics searching in the field of accounting and auditing in the Wilayats of Ouargla and Ghardaia, related to the questions of the questionnaire's second part concerning the incentives provided by the regulation of the profession to improve the FAQ, if they are activated, these incentives were classified according to their importance conforming to the weighted arithmetic medium. Table No. (3) shows that the averages of the professionals' opinions regarding the effect of the incentives offered by the regulation of the profession that help in improving the quality are higher than the average of the measuring instrument used (the five-dimensional Likert scale), where the degree of approval ranged between 4.09 - 4.28 i.e. with averages within the range between 81.8% - 85.6%. It turns out that the least acceptable of these factors affecting quality is what relates to the requirement to obtain a specialized university certificate to allow participation in the entry contest to the Institute of Specialized Training, as well as the requirement to obtain licensing to practice the profession through success in the contest and then theoretical training, applied training, and passing the final exam, as the degree of approval for these two paragraphs was equal to 4.9, so 81.8%. As for the most important factors influencing the quality, they relate to receiving, by the professionals, a specialized theoretical training for a period of two years for the statutory auditor and three years for the accountant expert, knowing that all the incentives offered by the regulation of the profession received approval of 83%, It is noted that the standard deviation for all paragraphs is low, which indicates a coherence in the answers of sample professionals.

As for the extent of acceptance by academics of the effect of incentives offered by the regulation of the profession on the FAQ, it is noted that their acceptance degrees exceeded the degrees of acceptance of professionals with regard to the effect of regulation incentives on quality and it is within a field of high importance according to the measurement tool and ranged between 4.11 - 4.61, i.e. with averages within The range of 82.20% - 92.20%. It is also noted that the standard deviation values for each of the paragraphs of the axis related to the incentives of the regulation did not exceed one (1), indicating the consistency of opinions among academics regarding the effect of regulation incentives on the FAQ, as can be seen from Table No. (3) The lowest degree of support for the academics is specific to control trainee for the granting of the certificate or refusal to deliver, otherwise the extension of the period for one year, with the degree of approval amounted to a rate of 82.20%. As for the highest degree of support, which amounted to 92.20%, It indicates that obtaining licensing to practice the profession requires success in the contest, then theoretical training, applied training and passing the final exam.

The table No. (3) shows the agreement of the two sample parties on all five incentives that were presented in the second part of the questionnaire as influencing the FAQ, with a difference between the two sample parties regarding the approval and the importance degree.

## **2. The extent of the effect of deficiencies in the regulation of statutory audit profession which may limit FAQ in the Algerian business environment if they are not remedied.**

Table No. (4) shows the professionals' and academics' opinions regarding the effect of deficiencies in the regulation of the profession on limiting the FAQ if they are not remedied. It is noted in the table that the professionals' opinions are higher than the measuring instrument average; the degree of approval ranged between 3.66 and 4.09, with averages within the range of 73.2% - 81.8%. These averages indicate that if the deficiencies in the profession regulation are not remedied, they affect significantly in limiting the FAQ, according to the professionals' opinions. It is also noted through the values of the standard deviation coherence in the professionals' opinions. Also it appears from the table that the highest deficiencies in the regulation of the profession impacting FAQ is what relates to the absence of the requirement of minimum years of professional experience to obtain licensing to practice the statutory audit profession, and the least deficiencies in the regulation of the profession impacting quality is the one indicating that Algeria has not joined the International Federation of Accountants which was reflected negatively on the training of practitioners of the statutory audit profession.

As for the academics' opinions, it is noted in the table that they range between 3.69 - 4.28, i.e., with averages within the range of 73.8% - 85.6%, which are higher than those of the professionals. These opinions support highly (according to the measuring instrument) that all the deficiencies in the profession regulation participate in limiting FAQ if they are not remedied. It is also noted in the values of the standard deviation the homogeneity of the academics' opinions. Furthermore, it is noted that the most important regulation deficiencies affecting FAQ is the establishment of a quality control committee emanating from the National Accounting Council without directly carrying out its tasks, and the least of which is the one indicating that the practice of the financial audit profession by two categories of accountants experts and statutory auditors hinders the achievement of cooperation to develop the profession. It appears through Table No. (4) that the two sample parties agree on all nine deficiencies that were presented in the third part of the questionnaire as affecting the FAQ, with a difference being recorded between the two sample parties about the degree of approval and importance.

### **V.2 Test of the professionals and academics convergence extent regarding the impact of the regulation of the statutory audit profession on the FAQ in the Algerian business environment:**

We seek to know the degree of convergence between the two sample parties regarding the extent to which the regulation of the statutory audit profession affects the FAQ in two opposite directions, i.e. on the one hand the incentives offered by the regulation of the profession to achieve quality, and on the other hand the deficiencies involved in the regulation of the profession, that prevent achieving quality. To achieve this purpose, we have verified if the study variables follow normal distribution. The results of Kolmogorov-Smirnov test shown in Table (4) indicated that the value of the significance level of the first axis did not exceed 5% ( $\text{sig} > 0.05$ ), i.e. the data of the study variables do not follow the normal distribution, therefore the best method to test them is using non-parametric tests, so we used Mann-Whitney test.

#### **1. First subsidiary hypothesis test:**

**H<sub>0</sub>:** There are no statistically significant differences between the opinions of professionals and academics regarding the extent of impact of the incentives offered by the regulation of the profession that help improve the FAQ in the Algerian business environment if they are activated;

**H<sub>1</sub>:** There are statistically significant differences between the opinions of professionals and academics regarding the extent of impact of the incentives offered by the regulation of the profession that help improve the FAQ in the Algerian business environment if they are activated.

According to the non-parametric test results of the difference in the two averages for the two independent study samples (Mann-Whitney) shown in Table(5), the probability value was (0.080) regarding all the incentives provided by the profession regulation in order to improve quality, which is greater than 5%. This means that the sample data support the acceptance of the null hypothesis (H<sub>0</sub>), i.e. the reject the alternative hypothesis (H<sub>1</sub>). This shows that there is a conformity between the professionals and academics opinions on the role of the regulation of the statutory audit profession in providing incentives that help in improving quality if they are activated, through the strict requirements of scientific and practical qualification required by the work mechanisms with specialized training to obtain licensing to practice the statutory audit profession, which is itself

an incentive to pick the best candidates to practice the profession, thanks to the specialized training they receive in a way that makes them scientifically and practically qualified to provide high-quality auditing services. In the absence of significant differences between the two samples of the study, and by comparing the average grade level, we find that the average grade level for the professionals' answers (38.40) is greater than the average grade level for the academics' answers (30.11). Consequently, the average of the professionals' answers is less than the average of the academics answers, with a probability of (0.080). Hence, we conclude that the academics have greater support than the professionals regarding the role of the regulation of the statutory audit profession in motivating the professionals to provide high-quality services, which can be explained by the existence of an expectation gap between professionals and academics in terms of the ability to perceive the incentives provided by the regulation of the statutory audit as factors affecting the FAQ.

### **2. Second subsidiary hypothesis test:**

**H<sub>0</sub>:** There are no statistically significant differences between the of professionals' and academics' opinions regarding the degree of effect of deficiencies in the regulation of the statutory audit profession that may limit the FAQ in the Algerian business environment if they are not remedied;

**H<sub>1</sub>:** There are statistically significant differences between the of professionals' and academics' opinions regarding the degree of effect of deficiencies in the regulation of the statutory audit profession that may limit the FAQ in the Algerian business environment if they are not remedied.

According to the non-parametric test results of the difference in the two average for the two independent study samples (Mann-whitney) shown in Table(5), the probability value was (0.513) concerning all deficiencies in the regulation of the profession that may limit quality, and which is greater than 5%, which means that the sample data supports the acceptance of the null hypothesis (H<sub>0</sub>), and thus rejects the alternative hypothesis (H<sub>1</sub>). This shows that there is conformity between the professionals and academics opinions on the effect of the deficiencies in the regulation of the statutory audit profession in limiting the FAQ if they are not remedied, since the regulation of the profession does not fully respond to the requirements of independence and competence, represented in the dependence of the bodies supervising the profession in Algeria to the governmental tutelage (Ministry of Finance), which was reflected negatively on the performance of the National Accounting Council in general, and its five equal embers committees in terms of accountant licensing and standardization tasks and the profession's regulation, follow and quality control. Since there are no significant differences between the two study samples, and by comparing the average grades, we find that the average grade level for the professionals' answers (35.97) is greater than the average grade level for the academics' answers (32.84), and therefore we conclude that the average of the professionals' answers is less than the average of the academics' answers with a probability of (0.513), which means that academics have greater support regarding the role of the effect of regulatory deficiencies on the statutory audit profession in limiting the FAQ, which can be explained, as mentioned above, by the existence of an expectation gap between professionals and academics regarding the ability to perceive the deficiencies in the regulation of the statutory audit profession as factors affecting the FAQ.

## **VI-Conclusion:**

Through this study, we tried to find out the effect of the regulation of the statutory audit profession on the FAQ in the Algerian business environment, by deducting factors affecting the quality on the basis of the regulatory framework of the profession in Algeria, and after the analysis we got to identify (14) regulatory factors for the statutory audit profession that may affect quality, where we presented them according to a questionnaire on a sample of professionals and academics

in the Wilayats of Ouargla and Ghardaia. After collecting data and analysing them, we reached the following results of study:

Professionals and academics are aware of the effect (in two opposite directions) of the regulation of the statutory audit profession on the FAQ in the Algerian business environment:

1- the regulation of the statutory audit profession in the Algerian business environment provides incentives that help improve the FAQ if they are activated, which are represented in the stringency of the new requirements according to the specialized training mechanisms to obtain licensing to practice the profession, in a way that the candidates fulfil the contest conditions to join the Institute of Specialized Training that allows selecting the best candidates, then provide scientific and practical qualifications for them, which make them characterized by the competence of the initial scientific and practical qualification, which allow them to practice the profession despite their lack of experience;

2- The regulation of the statutory audit profession in the Algerian business environment includes deficiencies that may limit the FAQ if they are not remedied. These deficiencies consist in the dependence of the bodies supervising the profession in Algeria to the governmental tutelage (Ministry of Finance), which impacted it negatively by its failure to join the International Federation of Accountants, and its performance in general, starting with stopping granting licenses under the previous regulation without starting to work according to specialized training mechanisms, and the lack of the requirement of a minimum level of experience as a condition to obtain licensing, the practice of the profession by two categories of professionals, the absence of pre-training related to the Algerian auditing standards and accounting information technology, as well as the lack of activation of quality control, and the omission of a law on professional ethics that responds to the requirements of international standardization work for audit services and gets along with the generalization of the use of electronic accounting information systems among the audited companies and the advent of the emerging electronic commerce in Algeria;

3- There is a convergence in the opinions of professionals and academics regarding the effect of the statutory audit profession regulation on the FAQ in the Algerian business environment, with a greater degree of support among academics, reflecting, in our view point, the expectation gap between professionals and academics in terms of perception of the factors affecting the FAQ.

### **Recommendations:**

1- Accelerating the start of work according to the new training mechanisms, by opening the Institute of Specialized Training for university graduates, including the course of accounting information technology within the training program for the statutory auditor, and introducing the requirement of a minimum experience for the statutory audit offices that allows to practice the profession as a condition to obtain licensing. Parallel measures related to expediting the launching of vocational training projects on Algerian auditing standards should be taken, with the necessity of expediting the issuance of the remaining standards to avoid inconsistency with the requirements of the same standards; i.e. the need to implement them in full, not fragmented, as they relate to each other;

2- Working in consultation with the academics to suggest a new structure for the bodies supervising the profession to ensure their independence from the governmental tutelage bodies, in a way that reflects on activating the role of the five equal member committees and removes the obstacle of joining the International Federation of Accountants, in addition to submitting regulatory proposals to solve the problem of overlap in the tasks because of the practice of the statutory audit profession by two categories of professionals: accountants experts and statutory auditors;

3- Development of the Code of Professional Conduct for the statutory audit into professional ethics rules binding on professionals, through its ratification and adoption in a systematic manner as a law in the Official Journal, as a step to develop the work according to the professional ethics which has not known any amendment since 1996 despite the acceleration of developments affecting the profession.

**Suggestions for future research:** The research can in the future identify the views of other parties interested in the audit, or enhance the results of the questionnaire by interviewing respondents. We also suggest re-conducting the field study to include all Wilayats so that the results can be generalized to the Algerian business environment.

**- Appendices:**

Table (1) :Results of the stability and reliability coefficients test

N <sup>o</sup>	axes the questionnaire	paragraphs	Cronbach's alpha	honesty coefficient	significance
1	Incentives offered by the regulation of the profession	5	0.752	0.867	significant
2	Deficiencies in regulating the profession	9	0.814	0.902	significant
Total		14	0.851	0.922	significant

The source : Prepared by researchers according to SPSS results

Table (2) :Effect of the incentives provided by the regulation on the FAQ if they are activated

N <sup>o</sup>	incentives of the regulation of the statutory audit profession impacting the FAQ	Arithmetic Average		standard deviation		degree of approval		Result	RANK	
		(P)	(A)	(P)	(A)	(P)	(A)		(P)	(A)
1	Obtaining a specialized university certificate to allow participation in the access contest to the Institute of Specialized Training	4.09	4.44	0.85	0.87	Agree	Strongly Agree	Convergence	4	3
2	Two years theoretical specialised training for the statutory auditor and three years for the expert accountant	4.28	4.33	0.72	0.86	Strongly Agree	Strongly Agree	Convergence	1	4
3	Two years vocational training framed by a supervisor for each five trainees maximally	4.19	4.47	0.89	0.84	Agree	Strongly Agree	Convergence	2	2
4	Training control to grant the certificate or refuse to deliver it, otherwise the extension of the period to one year;	4.13	4.11	0.94	0.90	Agree	Agree	Convergence	3	5
5	Licensing to practice the profession requires success in the contest, then theoretical training, applied training and passing the final exam	4.09	4.61	0.85	0.68	Agree	Strongly Agree	Convergence	4	1
Total of the axis N° 1		4.15	4.39	0.60	0.67			4.27		

(P) Professionals, (A) : academics

Source: Prepared by researchers according to SPSS results

Table (3) :Effect of the deficiencies in the profession regulation on FAQ if they are not remedied

N <sup>o</sup>	deficiencies in the regulation of the statutory audit profession impacting the FAQ	Arithmetic Average		standard deviation		degree of approval		Result	RANK	
		(P)	(A)	(P)	(A)	(P)	(A)		(P)	(A)
1	Stop granting licensing accord-	3.91	3.72	0.85	0.98	Agree	Agree	Conve-	3	8



	ing to the procedures of the Law 08/91 without starting with what is stipulated in Law 10-01							rgence		
2	Omission of inclusion of the Accounting Information Technology course in the statutory audit specialized training program	3.69	3.94	0.82	0.96	Agree	Agree	Convergence	8	7
3	Adoption of the Algerian auditing standards without preorganizing training sessions explaining how to apply them	4	3.97	0.91	0.92	Agree	Agree	Convergence	2	5
4	Absence of the requirement of minimum years of professional experience to obtain licensing to practice the statutory audit profession	4.09	4.17	0.77	0.90	Agree	Agree	Convergence	1	2
5	Transferring the powers of accounting professions to the Ministry of Finance is inconsistent with the requirements of independence	3.91	3.97	0.89	0.97	Agree	Agree	Convergence	3	5
6	The establishment of a Quality Control Committee under the National Accounting Council without performing its duties	3.84	4.28	0.98	0.95	Agree	Strongly Agree	Convergence	6	1
7	Algeria's failure to join the International Federation of accountants impacted negatively on the training of the statutory audit profession practitioners	3.66	4.06	0.93	0.89	Agree	Agree	Convergence	9	4
8	The National Chamber of Statutory Auditors omitted the preparation of a code of professional conduct that requires professionals to comply with it	3.87	4.14	0.90	0.87	Agree	Agree	Convergence	5	3
9	Practicing the financial auditing profession by two categories of expert and statutory auditors impedes achieving cooperation for its development	3.75	3.69	0.86	0.90	Agree	Agree	Convergence	7	9
Total of the axis N° 2		3.99	3.85	0.66	0.69			3.92		

Source: Prepared by researchers according to SPSS results

Table (4) : Results of the normal distribution test (Kolmogorov-Smirnov)

Hypothesis	Axis titles	N	Two study samples	sample size	Statistics	Sig
First hypothesis	Incentives provided by the profession regulation that help in improving the quality if they are activated	5	Professionals	36	0.834	0.004
			Academics	32	0.941	0.200
Second	deficiencies in the profession regul-		Professionals	36	0.941	0.173

hypothesis	ation that limit quality if they are not addressed	9	Academics	32	0.953	0.200
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Source: Prepared by researchers according to SPSS results

Table (5) : Mann-Whitney test for the first and the second sub-hypothesis

Hypothesis	Two study samples	sample size	Averages	Total	(U)	Z	Probability	Significance
First hypothesis	professionals	36	38,40	1382,50	435,50	-1,753	0,080	significant
	Academics	32	30,11	963,50				
Second hypothesis	professionals	36	35,97	1295	523,00	-0,654	0,513	significant
	Academics	32	32,84	1051				

Source: Prepared by the researchers according to SPSS results

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**How to cite this article by the APA method:**

Mohammed Tahar LAKHDARI Mohammed ZOUZI (2020), **The effect of the regulation of the statutory audit profession on the financial audit quality** "A field study on a sample of professionals and academics in the wilayats of Ouargla and Ghardaia during the year 2019", Algerian review of economic development, Volume 07 (Number 02), Algeria: Kasdi Marbah University Ouargla, pp.397-414.



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