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Speciality: Audit and Management Control

Theme :

The Reality of External Auditing in The Company
Case Study: EURL MIK “Maintenance Industrielle Kadda”

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To all those...

...who supported me and...

...believed in my success.

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Dedication

Peace be upon those who followed the guidance of the Qur'an and were one of the servants of the Most Merciful.

After all, with all sincerity, love, gratitude and the most honorable smiles, I dedicate this paper to my dear mother.

I ask god for the clarity and peace of mind for the one who was my support, sanctuary and refuge, my Father.

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Chapter One:

Background of the study

Background of the study

Introduction

The level of performance of an institution is measured through the results of the effective achievement of its objectives, and that with the efficient use of available resources and preservation of its assets which leads to achieve the highest profitability and maintain its reputation and status in the market. The management of the institution is responsible for achieving the level of performance satisfactory to the owners. And as a result of the owners' distance from the management of the institution and their need for new information about the level of performance in their institutions, there certainly must be a party that judges the validity of the information provided by the management and shows the level of actual performance of the institution and the efficiency of the its leading systems.

The huge changes in the environment surrounding the institution and the need and multiplicity of individuals have a role for the emergence of a control system on which the institution relies to make sound decisions, The error rate in it must be minimal, It also serves its interests according to its capabilities. As control is considered as a permanent and continuous system, it should be reconsidered in all fields as a system for controlling performance and ensuring the achievement of the established goals. It is one of the pillars of the modern economic institution and is considered the first line of defense to improve the level of performance and raise production efficiency

Like it is the case in the Algerian institutions that have gone through a set of structural changes that came negative to the requirements of the national economic reform, but they found themselves in front of a set of challenges that imposed on them the appropriate behavior to fight the difficulties and face them and adapt to the developments taking place in their surroundings in order to maintain their survival and to remedy their performance, It sought to provide an atmosphere of control through which it monitors and manages its activities, so it urged to find and implement preventive means to practice its business effectively in order to achieve the largest possible profitability at the lowest costs.

Financial Management:

Financial management is a complicated operation managing cash flow, money and financial resources that are reserved for the business sector in the enterprise.

Financial Markets are financial management's scope, which are characterized by the economic relations between buyers and sellers of these financial resources and investment securities and tradable financial assets such as equities or fixed income instruments.

It consists of multiple basic modalities such as planning, organizing, directing, controlling which lead us to conclusion of making investment, financial, and dividend decisions...¹

It Is also an essential function of any business. Basically, any organization needs to have enough financial resources in order to obtain needed material resources, and to execute production activities and many other business operations...

Financial Auditing & External audit :

Auditing means examining the internal control systems, data, documents, accounts and books of the project under scrutiny an organized critical examination with the intent of coming up with a neutral technical opinion about the extent to which the financial statements indicate the financial status of that project at the end of a known period of time and the extent to which they depict the project's business results from profit and loss for that period. The audit process hence includes **examination, investigation and report.**

External audit is a process via which an independent third party "Auditor" examines periodically the books of account and records prepared by any business. In the majority of cases, we take as an example : our country's financial law "Algeria's Finance Law" which legally requires for all organizations to hire an external auditor. An external audit aims to determine the condition of a business and its different operations, besides to ensuring that all of the organization's financial and records books are accurate and comply legally with principles and accounting standards across a specific periodical order²

And through this, The following problematic can be posed:

How does external auditing contribute in the efficiency and the financial management of the company?

Statement of the problem :

Internal auditing and control both play a big role in the management of the financial funds of different public and private organizations because it provides the managing systems different reports on whether the funds in the organization is used properly which also shows in conclusion that its financial statements are on the right fair path.

This private organization is financially misled and proceeds in discrediting the value of external auditors, also the financial managers in this org state that the work done by the internal auditors only in it is sufficiently enough to provide good financial management. And that the external auditors are made only to discover errors and frauds, which creates that curious misunderstanding between the auditors and different other colleagues within the organization.

¹ Ahmed Helmy Gomaa, Introduction to Modern Auditing, second edition, Safaa Publishing and Distribution House, Amman, 2005, 06.

² Ghassan Falah Al-Matarneh, Contemporary Auditing (Theory), Dar Al-Masira, Amman, 2006, p. 14.

It has been proven in different cases and in different empirical literatures that the use of an independent body to audit books of accounts in many organizations, impact their financial management method positively. This study will furthermore show the important impact of external audit on the financial management in private organizations, and specifically in Eurl M.I.K “Maintenance Industrielle Kadda”.

Main Objective of the Study :

The main and general objective of this study is to sketch off the impact of external audit on the financial management in different private organizations.

1. Find out the full meaning of audit and the main benefications of external audit to efficient financial management in private enterprises.
2. Determine the fact that external auditors execute professional competences in their auditing process .
3. Find out different barriers external auditors face while auditing private enterprises.

Research questions :

This study will answer various questions from which are :

1. How does external auditors guarantee for the private organization the acquiescence of the financial reporting standards?
2. What barriers do external auditors face during their duties in private enterprises?
3. Does “EURL MIK” Apply the audit principles, and how is the statutory audit prepared?

Research Hypothesis:

The hypothesis of this research will propose that :

- External audit is an absolute necessity in all economic institutions
- The external audit, through its various tools, works to preserve the assets of the institution by using the available resources efficiently to achieve the best results.
- The more accurate the external auditor worked in a company, the better and easier became the job for the owner or the shareholders to make futuristic decisions.

Motives for choosing the topic:

The main reason why i have chosen this topic is because it is my specialization, and my desire to get more involved in studying about it, i.e. to know more about external auditing.

The external auditing topic has become one of the most important and most controversial topics at the present time in the field of economics nationally and internationally.

The importance of the study :

The topic gains its importance by clarifying the role that external audit plays in improving performance in a highly competitive environment, which prompted institutions to strive to achieve the best performance for them, which guarantees them a good reputation in their environment and enables them to continue their activities so that owners must take the best decisions in leading the head of their companies.

Scope of the study :

This research that was held in the private enterprise “EURL MIK” for a period of one (1) year from 2021-2022 at an attempt to give an idea about the nature of the external audit of the company by highlighting its concept, types, usefulness and its relationship to accounting in the company

Study Methodology

In order to answer the questions asked and achieve the objectives of the research, the study adopted the inductive approach by relying on the historical tools by listing the historical events witnessed by the profession of accounting, auditing and the developments that occurred in them. Statistical tools were used in the practical side.

Structure of the study:

The research is ordered into 4 chapters :

Chapter 1 : It introduces the study, states the problem, hypothesis, the scope of the study and currently the structure of the study.

Chapter 2 : This chapter will hold the literature review of the study

Chapter 3 : This chapter will present the previous studies that were carried out about the topic of this research

Chapter 4 :This one focuses on presenting the collected DATA from the enterprise where this research was carried out in “EURL MIK”.

Chapter Two:

Literature review of the study

Introduction

This research's literature review is all about the theoretical and empirical literature on auditing, including its origins, conflict theory of it, independence of auditing and the goal or the main importance of it in private enterprises.

Financial Auditing:

Auditing means examining the internal control systems, data, documents, accounts and books of the project under scrutiny an organized critical examination with the intent of coming up with a neutral technical opinion about the extent to which the financial statements indicate the financial status of that project at the end of a known period of time and the extent to which they depict the project's business results from profit and loss for that period. The audit process hence includes **examination, investigation and report.**³

Examination:

It means ensuring the correctness and safety of the measurement of the operations, i.e. checking the arithmetic measurement of the project's own financial operations.

Investigation:

It means the ability to judge the validity of the final financial statements as a valid expression of the project's work in a particular financial period.

Report:

It is the crystallization of the results of the examination and investigation and their proof in a report submitted To Whom It May Concern inside and outside the project, which is the conclusion of the audit process through the technical opinion of the auditor.

Types of Audit:⁴

There are many types of auditing that differ according to the angle from which the audit process is viewed. The audit process can be classified according to several indicators, which are as follows:

³ Al-Azhar Azza, The Reality of Practicing the Auditing Profession in Algeria, Journal of Economic and Financial Studies, Issue 05, Year 05, El Wadi University, 2012, p. 33

⁴ Youssef Assadi, Auditing – theoretical review, Aka-48, September 2008, p.3-5

Types of audit in terms of audit volume:

Full audit:

Under this type, the auditor checks the entries and records at 100%. This happens in small projects and what is called a detailed audit.

The full audit has evolved with the expansion of projects and small companies into the so-called voluntary full audit “or test-check audit”. Under this type, the auditor examines samples of entries, records and documents that are inversely proportional to the internal control systems, and the audit authority may not be limited by determining the size of the audit scope in both the full and optional audit.

Partial audit:

The auditor’s work is limited to examining some of the operations or items that he is entrusted with auditing only, such as examining the estimate or the stock of goods. The auditor does not give a technical opinion about the financial statements in this type of audit.

Types of audit in terms of the time at which the audit is performed:

Final check:

Assigned by the auditor :

- 1- After the audited financial period ends.
- 2 - After making the final settlements and preparing the final accounts and the statement of financial position.
- 3- After closing the accounts.

Disadvantages of this audit:

- 1- Failure to detect errors and fraud in the event of the operation.
- 2- Delaying the submission of the auditor's report.
- 3- Disturbing work in the auditor’s office and the facility, this leads to confusion in work in the auditor’s office and the client.

Continuous checking:

The auditor performs this type of audit continuously through multiple visits to the facility through a comprehensive audit plan and program.

Types of Audit in terms of the auditing body:

Internal Audit:

It is the audit that is carried out by an internal body in the facility in order to protect the funds of the facility, achieve management objectives, achieve greater productivity, and adhere to the management's policy.

External Audit:

It is carried out by an external body that is not affiliated with the management or ownership of the facility, and the objective of this type of auditing is preparing an impartial report on the fairness of the financial statements and the presentation of the financial position through the budget and the income statement in a particular financial period.

Types of audit in terms of the degree of obligation:

Mandatory Check:

It is the audit that is required by law and recommended for the , and violates the wish of companies and establishments

Optional Check:

An audit that does not require any law, it is recommended by the owners of the facility, which may be complete or partial.

Types of audit in terms of the degree of comprehensiveness of the audit and the extent of the auditor's responsibility:

Normal Check:

The objective of it is to ascertain the validity of the financial statements and the extent of their significance as a result of the business and the financial position, while expressing the opinion of a neutral technical auditor. According to this audit, the auditor is responsible for any failure or negligence in practicing his professional work.

Purpose audit:

The aim of it is to search for a specific fact or a specific result that the examination aims at, and this examination was preceded by a normal examination or audit, for example, the examination of books with the goal of discovering fraud or discrepancy or determining the value of goodwill or the value of the stock.

Types of Audit in terms of audit volume:

Financial Audit:

It is the examination of the internal control systems, data, documents and special books of the establishments thanks to the emergence of a neutral technical opinion and includes examination, report and verification.

Administrative Audit:

The intent of it is to audit the administrative aspects and to ensure that the administration is running the facility to achieve the maximum benefit and possible return at the lowest possible cost.

Goals Audit:

It is meant to verify that the objectives of the organization set in advance have actually been achieved, and the aim of this audit is to improve performance.

Legal Audit:

It is intended to ensure the implementation of the legal texts and the financial and administrative regulations issued by the various governments, as well as the application of the company or establishment with its memorandum of association and bylaws.

Social Audit:

After it became one of the goals of achieving well-being for the society in which it works, this kind of audit emerged from the project's fulfillment of this duty.

Audit principles:

The audit principles are a set of principles that the auditor must take into account when performing the audit, as he must abide by them, which can be summarized as follows:⁵

1- Skills and Competence:

The auditor should exercise the necessary professional care in carrying out his work and preparing his report;

The auditor must have scientific competence, specialized skill and technical knowledge. The auditor also needs practical experience and continuous knowledge of professional

⁵ Youssef Assadi, Auditing – theoretical review, p.2

developments that include international and local rules related to accounting, auditing, and legal and regulatory rules.

2- Work done by others:

The auditor is responsible for expressing his opinion on the following financial information:

- When he delegates his work to his assistants;
- When he uses the work of other auditors or experts;
- The auditor should direct and review the work of his assistants and supervise them, and he must have reasonable conviction that what other auditors or experts are doing for him is appropriate.

3- Documentation:

The auditor should document all topics and evidence that support audit achievements in accordance with the basic principles of auditing.

4- Layout inspection:

The auditor must plan his work in a way that enables him to complete it efficiently and in a timely manner, and planning must be done on the basis of the auditor's knowledge of the client's business;

The plans should include, for example, the following:

- Familiarity with the accounting system and internal control policies and procedures for the client.
- Determining the degree of dependence on the internal control system.
- Scheduling the nature, timing and audit procedures to be implemented.
- Coordination of the work to be carried out.
- The plans must continue to be developed and reconsidered whenever the need arises.

5- Evidence of audit:

The auditor must obtain sufficient and appropriate presumptions and evidence when carrying out compliance and substantive procedures in order to reach reasonable results;

Compliance procedures are the tests that are designed to ensure actual compliance with the internal control procedures that will be relied upon during the audit.

The core procedures are the tests that are designed to ensure the completeness, accuracy and validity of the data provided by the accounting system. These procedures consist of:

- Examining the details of transactions and balances.
- Analyzing important ratios and trends and investigating changes and unusual items.

6- Honesty and integrity (integrity):

The auditor must be fair, honest and trustworthy, where honesty and integrity are measured by what is right and fair, and in the event of conflicting professional opinions and the absence of rules, standards or guidelines The auditor must subject the decisions he take to his personal judgment.

7- Confidentiality:

The auditor must maintain the confidentiality of the information he obtained through the performance of his professional work, and he must not use or disclose any of this information without a license or when there is a legal or professional right or duty that gives him the right to disclose it. Confidential information obtained as a result of professional or business relationships must not be used to achieve personal interests of the auditor or third parties. Members of the professional performance quality control program or members who investigate members' violations may not disclose confidential information about a client or use it for their own benefit.

8- Objectivity and independence:

Objectivity requires the auditor to be impartial and intellectually independent in all matters relating to his professional services, and not to have any conflicting interests, and to avoid any relationships that may seem to make him lose his objectivity and independence when providing his professional services.

The auditor must also be independent and maintain his apparent independence.

9- Safety:

Safety is an important element in professional recognition, and it is the quality from which the confidence of the public stems. Safety requires the auditor to be honest and measured by what is correct and fair, and in the absence of specific laws, standards or guidelines, or in the event of a confrontation Conflicting Opinions The auditor must test decisions and actions.

Safety requires the auditor to observe the principles of objectivity, independence, and professional care.

Audit objectives:

It was previously mentioned that the audit process is an examination, investigation and report.

Initially, the audit had traditional objectives, namely:⁶

- 1- Ensuring the correctness and accuracy of the financial data recorded in the books and records of the establishment.
- 2- Coming up with a neutral technical opinion on the compliance of the financial statements with what is recorded in the books.
- 3- Discovering what may be in the books and records of errors and fraud.
- 4- Reducing the chances of errors and fraud through the auditor's visits to the project.

In addition to the above there are other goals:

- 1- Monitoring the plans developed by the project owners and following up on their implementation
- 2- Evaluate the results of the project's work in relation to the set objectives.
- 3- Achieving the greatest degree of productivity by eliminating waste in all aspects of the project's activity.
- 4- Achieving the greatest possible level of well-being for the members of the community in which the project operates.

The importance of audit

The primary role of the auditor is to give confidence to the economic information that results from the organization's accounting system. Users of accounting data rely on the auditor's report to rationalize their decisions. The importance of auditing for the various beneficiaries is manifested in the following:⁷

1- The importance of auditing for the client (the institution):

It is represented in the following elements:

- A primary source of information approved through summaries of financial statements at periodic intervals;
- The basis for obtaining loans from banks, credit institutions and suppliers;

⁶ Mohamed Poutine, L'audit de la théorie à l'application, office des publications universitaires, Alger, 2003, p. 08.

⁷ Mohamed Thami Touahr, Massoud Siddiqui, Auditing , P3, University Publications Bureau, Algeria, 2006, p. 10.

- The basis for additional investments by means of an economic analysis of its financing position;
- A basis for preparing tax returns and determining the amount of tax;
- Basis for determining the financial position;
- Basis for determining the profitability of operations;
- A basis for providing internal controls, oversight of employees, and validity of records.

2- The importance of auditing for the management of the organization:

The management of the institution depends on the auditor's report, as it adds value to the information and data contained in the financial statements. It is a means of proving that the management has exercised its responsibilities in a correct and accurate manner and that it has prepared the financial statements in accordance with generally accepted accounting principles.

5- The importance of auditing for creditors and suppliers:

Creditors and suppliers depend on the auditor's report because it reflects the soundness and validity of the financial statements, which they analyze to know the financial position and the ability to fulfill the obligation before proceeding to grant and expand commercial credit and the varying rates of liabilities granted by it .

4- The importance of auditing for investors:

Investors rely on the financial statements data in order to determine the soundness of the financial position of the institution in order to ensure that their savings and money are not exposed to embezzlement and theft.

5- The importance of auditing for banks and other lending institutions:

Banks and lending institutions have an important role in short-term financing of projects to meet their needs and expansions. They depend on the auditor's report to study and analyze the financial statements before providing bank credit in order to determine the degree of risk when granted.

6- The importance of auditing for the governmental institution:

The governmental institution relies on the auditor's report for many purposes, including; monitoring of economic activity; Drawing the country's economic policies or imposing taxes and confirming its commitments to laws, instructions, procedures and directives.

On the other hand, since the auditor is a member of the organization, which is the audit office, he plays another role in communicating to achieve the following goals:

- Creating awareness among auditors of the objectives of audit firms;
- Educate auditors about important developments affecting audit firms;
- Increasing the effectiveness of auditors as communicators in the community;
- Satisfying the auditors' desires to see everything that is going on in the audit office.

From this standpoint, it is possible to represent the various dealers with the facility and the beneficiaries of information and data about its activities and results, which must be free from all doubts by subjecting it to monitoring and auditing.

Audit benefits:

There are several benefits to auditing accounts. For example, if we take the external audit of a solidarity company, we note the following benefits:⁸

- Auditing helps to avoid disputes between partners, especially when the distribution of shares between them is complicated;
- Ease of entry for a new partner when the accounts are audited;
- All changes that occur to the institution, such as retirement, death of a partner, or profit distribution ratios, appear in the accounts.
- Requests for financial facilities from banks are greatly supported when certified financial statements are attached to them;
- The certified financial statements are more reliable with the Income Tax Department.
-

The relationship between auditing and accounting:⁹

The concept of accounting refers to the process of recording, arranging and summarizing data on the results of economic events for the organization in a systematic way for the purpose of producing appropriate financial information and decision-making, and in general the provision of accounting data that represent inputs to audit.

Accounting in this sense deals with the original data and is primarily responsible for it. Therefore, it is considered as a construction work concerned with analyzing, tabulating,

⁹ Mohamed Poutine, L'audit de la théorie à l'application, office des publications universitaires, Alger, 2003, p.24,25

recording and operating the primary or basic data, and thus reaches the preparation of financial statements.¹⁰

As for the audit, it is the process of critically examining the documents, accounts and records of the facility in order to reassure the auditor of the integrity of the financial reports, whether it is a report on the outcome of the project during a period of time or a report on the financial position at the end of a period of time of fraud or manipulation.

Based on the foregoing, there is a strong relationship between accounting and auditing, which is represented in the fact that the basic outputs of the accounting system are the basic inputs to auditing, but the nature of each has what distinguishes it from the other, and the difference between them is in the following points:

1 - Objective: Accounting aims to record the financial operations that occur during a certain period in the books and records, and interpret the results of those operations and then prepare the financial statements, while the audit aims to ensure the correctness of recording these financial operations in the books and the correctness of preparing the financial statements according to generally accepted accounting standards and principles.

2- Subordination: The accountant is an employee of the institution and follows its management and works to record operations and then present them in the form of financial statements. As for the auditor, he is not affiliated with the institution he is auditing, as he prepares a technical report that is neutral and independent of the will of the institution and is not subject to the authority of its management. Its task is to examine the content of the financial statements, including data and accounts, and ensure their accuracy.

3- Timing of work: The accountant begins his work from the beginning of the fiscal year to its end, meaning that his work continues throughout the accounting period. As for the auditor, the timing of his work varies according to the agreement concluded between him and the management of the institution. The work of the auditor begins when the work of the accountant ends.

¹⁰ Kamal Al-Din Mustafa Al-Dahrawi, Muhammad Saraya, Advanced Studies in Accounting and Auditing, Alexandria University, 2001, p. 178.

Independence of the auditor:¹¹

First: the concept of auditor independence

It is possible to distinguish between two concepts of independence in this field. As for the first concept, it is called mental independence, which is the stripping of the auditor from any motives, pressures or special interests when expressing his technical opinion;

As for the second concept, it is called apparent independence, and it means the existence of professional legal rules that ensure that the institution does not control the auditor and that his interests are not linked to this institution.

The concept of independence is one of the criteria that distinguishes the audit profession from other professions. The lawyer is in the position of defending his client, even if he makes a mistake and proves the validity of his case. As for the auditor, he is required to report in which he expresses his opinion on the availability of honesty in his client's reports.

When the auditor submits his report, it does not mean satisfying his client, but rather works to provide information that can be relied upon by other parties. Therefore, the auditor must be independent so as not to lose the confidence of all parties.

The independence of the auditor depends on the availability of two types of ingredients:

1- subjective (personal) ingredients; 2- Objective (legal) ingredients

To judge the extent of the auditor's independence, a study of the American Accounting Association identified three dimensions: - Preparing the audit program; - Examination; - Report.

Second: The importance of auditor independence

The environment for the audit process involves many relationships, including:

1- Conflict between management and owners and between the auditor on the other hand;

2- The conflict between the material interests of the auditor and the professional standards of auditing.

This conflict affects the independence of the auditor, and therefore the importance of the independence of the auditor as an agent for the owners can be clarified.

Therefore, the auditor must have the element of independence from the organization in order to perform his duty in the required manner and express his opinion independently and with a sincere conscience. From this comes the importance of the independence of the auditor, who depends on his opinion in making decisions.

¹¹ Shreki Omar, Professional Organization of Reviewing : A Comparative Study between Algeria, Tunisia and Morocco, Doctoral Thesis, University of Setif1, 2013, p. 56_57.

In order for this independence to be achieved, the personal and objective components of the auditor must be available to protect himself from legal accountability by (the owners) and also from others who depend on his report in making decisions.

That is why legislative and professional associations in the United States have approached the issue of independence with greater reservations than Canada and Britain; Legislation in the United States has not given the auditor the right to own shares or financial interests registered in the US Securities Exchange Trading Commission since 1950, and the auditor is not allowed to provide advisory services other than auditing to clients registered in the stock market.

Third: Factors affecting the independence of the auditor

The independence of the auditor has the main significance of the external audit process, given the absence of a specific concept of independence; Many researchers have worked hard in

research and touched on the obstacles to independence, which is a difficult and unclear process, and that most of the judgments in audit depend on the personal judgment of the auditor, but the research attempts have reached many factors affecting the independence of the auditor, perhaps the most important of which are:

The first factor: the internal environment. The second factor: the external environment.

First: The internal environment for the auditor's work:

The internal environment factors that affect the auditor's independence are as follows:

1- Nature of the task: measured by the type of work (audit - administrative services) and its characteristics (responsibility related to the completion of tasks and scope of work);

2- The degree of uncertainty: It is measured by the individual's ability to anticipate the direction and strength of the determinants of his competency inside or outside work and make decisions in light of incomplete information.

3- Audit technology: measured by the extent to which the office uses objective and advanced tools and procedures in accomplishing tasks, such as statistical sampling, having a system for planning and dividing work and monitoring the performance of subordinates;

4- Communication system: measured by the type and method of communication where there is comprehensive communication at the level of the audit office and includes information about the success or failure of the office, the office's policies and objectives, office meetings and periodic publications, and there is partial communication between subordinates, as well as subordinates and the supervisor, and there is also network communication;

5- Organizational cultural homogeneity: organizational culture is measured by values and what behavior should be, while practice is measured by what is now. Values are measured by the

individual's attitudes to detail a specific situation over another, and organizational culture is measured by the sum of the prevailing values in it;

6- Time budget: It is measured by the extent to which it can be achieved, the method of setting it, and the effect of the behavior of the supervisor or management on determining its level.

7- Leadership and supervision style: measured by the characteristics of supervision, which include the objectivity of measuring the performance of subordinates, the order of their performance and the impact of the supervisor's performance level himself on an evaluation of the performance of his subordinates;

8- Performance appraisal system: It is measured by setting standards for good performance by the supervisor, technical skills, communication skills, analytical skills, time control..;

9- Satisfaction with work: It is measured by the sum of the dimensions of the individual's satisfaction with the aspects of work, where there is the individual's satisfaction with the returns of work, supervision, promotion system, interaction between colleagues, and the organization as a whole.

- Motivation for achievement: It is measured by the individual's willingness to make the effort, as it is measured by the number of working hours that the individual wishes to devote to the work;
- Course rate: measured by the individual's determination of the probability of leaving the current organization and joining another office in the future;
- Stress towards work: It is measured by the return on stress from work, and the individual's behavior towards work (level of anxiety, increased smoking, hesitation in decision-making, high blood pressure, and dissatisfaction with work.);
- Organizational professional commitment: It is measured by the individual's responses to a set of elements of this commitment (the individual's acceptance of the goals and values of the profession and the organization, an urgent desire to make an effort for the benefit of the organization, a strong desire to preserve the membership of the organization and the profession, belonging to professional organizations, continuing to practice the same profession and devotion to its mastery.

Second: The external environment for the auditor's work:

The external factors affecting auditor independence can be identified as follows:

1- Competition for auditor clients among audit firms: Audit firms operating in an environment characterized by a high level of competition are at greater risk of decreasing or weakening their independence compared to firms operating in an environment with low competition;

- 2- Size of the audit office: large-sized audit firms are at lower risk of losing independence than those of smaller-sized firms;
- 3- The audit firm's provision of advisory and management services: Audit firms that provide advisory and administrative services are at greater risk of losing independence than those firms that do not provide such services;
- 4- The auditor accepts gifts from his clients or obtains a discount on his purchases: The owners of audit offices who accept gifts and obtain a special discount on purchases from their clients are more likely to lose independence and vice versa;
- 5- Professional responsibility of the auditor (nature of the subject matter of the conflict): In light of the situations and violations that are not the subject of the conflict in the audit environment related to professional standards, the auditor is more likely to lose his independence from those violations;
- 6- The role of the institution's management in selecting the auditor: the institution's choice of the auditing office alone would increase the dependency of this chosen office and thus cause this office to lose its independence and credibility;
- 7- Representing the audit office for one of the major international offices: The local office of an international office often supports the independence of the auditor and enhances his impartiality in his duties;
- 8- The auditor's fear of losing audit fees, which causes him to suffer from a conflict between professional respect and personal interests;
- 9- The financial condition of the client (the auditor has a debt owed by the client);
- 10- Occupation of the audit office for real estate owned by the client;
- 11- Relationship of the auditor to the director of financial affairs of the institution or the connection of bilateral relations between them;
- 12- The auditor manages some of the client's business;
- 13- The auditor's investment in companies competing with the client;
- 14- The subordination of the auditor selection committee to the institution's board of directors;
- 15- If the fees constitute the bulk of an office's income.

Rights and duties of the auditor:¹²

1 - The Auditor's Rights: The auditor has become the watchman over the management's work, the guardian of shareholders' rights, and the guardian of the rights of the parties that have a relationship with the institution, through his systematic critical examination to express his opinion about the management's actions and disclose to the shareholders the results of his oversight, and with the aim of In performing this task, we find him enjoying several rights, including:

- The right to access at any time the books, records and documents of the institution: it is customary for the auditor to inform the institution in advance of the date of his visit or the presence of his assistants to the institution so that the administration prepares the books, records and data that he may need, and he has the right to see He shall receive whatever he deems appropriate to carry out his work, whether he pays a periodic or sudden visit.

In the event that the auditor is unable to exercise this right due to the institution placing obstacles such as confidentiality of papers or lack of sufficient time to prepare them, the auditor in this case must submit his report on this matter to the Board of Directors or the general assembly of shareholders.

- The right to request data and clarifications that the auditor deems necessary: The auditor needs to request data, information, and clarifications on many topics, such as his request to send customer or supplier confirmations to his address, as well as inquire about the internal control systems applied in the institution, which the auditor must Examine them before starting the audit process, and this also includes inquiring about the activity practiced by the institution, its divisions and branches, as well as its internal system, so the administration must secure all that it deems appropriate and necessary to carry out its work.

- Verification of the assets and liabilities of the institution: This right is considered complementary to the previous right because it allows the auditor to conduct an investigation of the assets and liabilities at any time and to ensure their existence by taking stock of these assets and an actual inventory whenever he deems it necessary to carry out his duties.

The auditor has the right to carry out inventory work in the presence of a committee of the institution's employees, and he has the right to attend the inventory process and to take tests that reassure him of the integrity of the inventory processes.

- The right to call the general assembly of shareholders: this is in the event of an emergency situation in the institution that could threaten its financial position and stability, such as misbehavior of the management, the presence of serious cases of deviation that affect the future of the institution and he does this in order to inform it of what is happening inside it or problems until he disclaims responsibility.

¹² Adam sawee, The rights, duties and responsibilities of the auditor post on accdiscussion.com, 16-02-2014, <https://accdiscussion.com/acc9519.html>

- The right to obtain a copy of the notifications sent to the shareholders: The auditor has the right to obtain a copy of the notifications sent to the shareholders in order to be able to ensure that the financial statements that he audited are the same that will be discussed in the shareholders' general assembly meeting.

- The right to retain papers and documents: The auditor has the right to retain papers and documents to claim his fees and obtain them in full.

- The right to attend the shareholders' general assembly meetings: the auditor has the right to attend the shareholders' general assembly meetings in his personal capacity or to act on his behalf from his assistant staff in order to submit his report, present it, attend its discussion, and respond to any inquiries that members may raise about some points or aspects of the report.

- The right to discuss his dismissal proposal: The auditor has the right to discuss his dismissal proposal through a written memorandum sent to the institution, and he has the right to discuss his dismissal proposal and respond and defend his position before the general assembly

of shareholders, and this right is considered one of the controls that prevent the auditor from being dismissed arbitrarily or using this right to influence the auditor.

- The right to refrain from expressing his opinion on the financial statements: in the event that the auditor is unable to obtain all the data and clarifications that he deems necessary to carry out his work, or in the event that many errors or irregularities are committed in the books kept by the institution, in this case the auditor has the right to refrain expressing his opinion on the financial statements if he is unable to form an opinion thereon for any of the aforementioned reasons.

In return for these rights, there are duties that the auditor has to perform to achieve the audit objectives.

2 - The Duties of the Auditor: Among them we mention the following:

- Taking the necessary professional care:

The auditor shall exercise the necessary professional care to audit the institution's accounts, collect sufficient evidence, and select the necessary samples that enable him to express his opinion.

- Auditing and checking the accounting system:

The auditor must check and examine the accounting system followed in the institution and what it contains of documents, books, records and lists, and then draw up the final report where the report includes two essential elements:

Disclosure of the balance sheet and profit and loss account presented to the General Assembly for the laws, the books of the institution and its financial position.

The position of managers and members of the board of directors in terms of providing the auditors with all the data they requested for the purpose of carrying out their task and facilitating the physical verification of all the matters they wanted to study.

- Attending the shareholders' general assembly meeting:

This is so that he can discuss his report and verify its contents. The auditor presents the list of the financial position and the final accounts for discussion and approval, as well as to approve the profit distribution proposal made by the management of the institution.

The auditor may not be able to attend the meeting himself due to a circumstance, then he can send a representative of his assistant staff to attend, provided that this assistant is one of the people who carried out the audit process for the same institution so that he can respond to the inquiries that are supposed to be raised before Association members.

When the auditor or his representative is present, he must make sure of a number of points, including:

- Validity of the procedures for calling the meeting;
- Ensure that the minutes of the association's meetings are recorded in a special register;
- To sign the aforementioned minutes with the president of the association;
- Validate the meeting legally.

- Taking into account the texts of practicing the profession:

The auditor must take into account the texts of practicing the profession, the texts of the Companies Law, and all laws related to his work, such as the Income Tax Law.

- Audit and investigation of the institution's assets and obligations:

This duty is considered one of the most important issues that the auditor is exposed to while carrying out his mission, because the law considers the members of the board of directors and the auditors responsible for deducting the amounts allocated to the compulsory reserve and other reserves and depreciation according to the percentages mentioned in the institution's system or that are technically recognized, and the auditor must ensure From the correctness and organization of books and records, and the expression of their data on the true state of the institution.

- Oversight of the correctness of the institution's incorporation procedure:

This is in the event that the founders appoint auditors during the establishment period, otherwise the Constituent Assembly must verify the correctness of the incorporation procedures, but in practice, the auditor performs this task automatically to remove any responsibility that may be realized on him.

- Monitoring the progress of the institution's business and auditing its accounts:

The auditor must monitor the institution's business and verify the regularity of the books and records, and that accounting principles have been taken into account when preparing them.

- Examination of the financial and administrative systems of the institution:

The auditor must examine the financial systems of the audited institution, the administrative system, as well as the internal control system and their suitability.

- Providing recommendations and suggestions:

The auditor shall make appropriate recommendations and suggestions on the following:

- Handling and correcting errors that have been discovered;
- Avoid making mistakes in the future as much as possible.
- Good workflow in the departments and departments of the institution.

- Verification of the institution's compliance with the accounting rules:

The auditor, while carrying out his task, must verify that the institution abides by the application of generally accepted accounting rules.

Auditor and management responsibilities:

The auditor must know what the auditor's and management's responsibilities are. The management's responsibilities are as follows:¹³

- 1- Implementation and application of accounting policies;
- 2- Have an adequate internal control system;
- 3- Fair presentation of the financial statements.

The administration prepares the financial statements for the auditor, who audits them immediately after obtaining the lists and other documents, such as the documents and files necessary for the audit; through the engagement letter it is determined, as well as the auditor's responsibility. In this letter, the administration is required to submit the financial statements to the auditor, who ultimately gives his opinion about the fairness of the lists and the way they are presented.

The responsibilities of the auditor are:

- 1- detect fraud;

¹³ Judge Hussein Dahdouh Hussein, Basics of Auditing under American and International Standards, Al-Warraq Foundation, Amman, 1999, p. 15.

2- Finding accounting errors;

3- Discovering illegal acts.

In the field of accounting fraud, a distinction must be made between two types of accounting fraud, which are the misuse of assets and giving false financial statements, i.e. its information is false, which affects investors, lenders and users of financial statements negatively, as they obtain their decisions based on wrong and incorrect information.

As for accounting errors, they are errors in calculating certain amounts, deleting a specific account, errors in registration, and these errors can be detected easily and the auditor in this case must inform the administration of correcting the errors, and if they do not comply with that, he must mention that in his report.

As for illegal acts, the auditor must mention them, such as filing lawsuits against the company, or violating certain laws, such as tax laws that directly affect the lists (income statement, balance sheet, cash flows and retained earnings).

GAAS generally accepted auditing standards:¹⁴

Introduction:

One of the most important components of any profession is the existence of scientific standards and principles according to which they work. These principles and standards are recognized by all practitioners and workers in a particular field. There are many professions that have recognized standards, and among these professions is the audit profession. In most countries of the world, there are recognized standards of auditing. All auditors and accountants work according to what is stated in the standard, and the first to issue these standards is the American Institute of Certified Public Accountants (AICPA), and it was issued in 1954 in a booklet under the title of generally accepted auditing standards.

These standards are divided into 3 main sections:

1- GENERAL STANDARDS

2- STANDARDS OF FIELD WORK

3- STANDARDS OF REPORTING

1. General Standards:

¹⁴ Youssef Assadi, Auditing – theoretical review, p.7-10

It is a set of standards related to the personal formation of those who will practice the audit profession, hence some called them personal standards.

This group contains 3 standards:

- The audit must be performed by persons with appropriate technical training and the necessary competency in auditing accounts (Training and qualification).
- The auditor must always adhere to the independence of his thinking in all matters that have been done to the task directed to him. (Independence)
- The auditor must exercise the necessary and due professional care in the process of auditing and preparing the report.

First Standard:

- The auditor must obtain the necessary training and competency that qualifies him to practice the audit profession correctly and well. Professional training requires continued study and continuous access to professional journals, bulletins, statements and publications issued by professional and official bodies. It also includes regular participation in meetings and seminars that are held by Professional organizations that specialize not only in accounting, but also in disciplines related to accounting, such as business administration and economics.....

Second Standard:

- The auditor should be independent, and this means that he should be independent in his thinking in all matters and should also be independent in making decisions without any biases for certain parties within the company. Independence is an indispensable necessity that would add more confidence to the accounting statements in which an opinion is expressed, especially since investors, creditors and official departments depend on the opinion of the auditor because he is an independent and impartial party that is not affected by any party inside and outside the company.

Third Standard:

- The auditor must exercise due diligence in the audit process and in preparing the final report, and this care requires a critical review of each level of supervision over the work being done.

2. Standards for field work

They are 3 Standards:

- An adequate plan must be drawn up for the audit process, and the assistants who may be used by the auditor must be carefully supervised.

- A thorough study and a comprehensive evaluation of the internal control system in place should be carried out, as it is a basis for relying on it during the audit mission, and in light of it, the examinations that must be limited to audit work are determined.
- Reliable supporting elements must be reached by inspection, observation, investigations and evidence in order to be a reasonable basis for expressing an opinion on the financial statements.

First Standard:

- Planning and supervision. Here it is assumed that proper planning for the audit task provides a correct organization in the auditor's office and among its employees in order to ensure the proper functioning of the work. Each audit process must be conducted under the supervision of the office owner in the case of sole proprietorship or under the supervision of one of the partners or any other person to whom the authority is entrusted, but The responsibility rests with the office owner.

Second Standard:

- It is the examination of the internal control system, and here the auditor studies and evaluates the applied system in order to determine the scope of the audit process and the extent of tests that must be limited to the audit process, and this is due to the auditor's discretion and personal wisdom.
-

Third Standard:

- Here, trustworthy elements of evidence must be reached through inspection, observation, and endorsements. The evidence can be divided into internal and external evidence. The internal evidence includes account books, checks, documents, etc.... And the external evidence includes endorsements from customers and suppliers, results of perusal and inquiries made outside the company.

3. Reporting Standards:¹⁵

It includes 4 Standards:

- The report must indicate whether the financial statements have been prepared in accordance with generally accepted accounting principles.
- The report must indicate whether these principles have been applied in the current period in force for them.
- The data contained in the financial statements shall be considered an adequate expression of the information contained in these statements.

¹⁵ Ahmed Helmy Gomaa, The Modern Introduction to Auditing, Dar Safaa for Publishing and Distribution, Alexandria, 2000, p. 20.

- The auditor must state an opinion on the financial statements or refrain from expressing an opinion, and in the event of refusal, the reasons must be stated.

First standard:

- The generally accepted accounting principles, which are a metaphor for accounting rules and principles that are applied in the various cases faced by the accountant at work. The principles are intended not only for the laws and broad texts to be followed, but also for the methods of applying those principles as well.

Second Standard:

- Consistency in the application of accounting principles, and this means examining whether the company applies accounting principles in recording its operations and that it continues to apply them from year to year without interruption, and that if the company's policies are changed or the company has changed the accounting principle according to which it operates, this must be mentioned in the report.

Third Standard:

- The auditor here must ensure the integrity of the information presented in the financial statements and disclose every material fact whose omission may mislead the reader.

Fourth Standard:

- Expressing an opinion and this rule requires the auditor to issue a report in which he expresses an independent, neutral technical opinion on the validity of the financial statements as a whole. Either the auditor objects or refrains from expressing an opinion about the fairness of the lists, and the report shall be : adverse opinion or disclaimer of opinion .

Professional ethics¹⁶

With the development of business, the spread of joint stock companies and the separation of management from ownership, it required the adoption of impartial authorized persons to monitor the work of accounts and funds to reassure the owners and shareholders of the safety of the accounts and funds invested.

The users of financial statements increased in order to make their decisions, and the demand for the services of auditors, their reports, and their neutral technical opinion on financial reports increased, and thus professional organizations found that it was necessary to establish

¹⁶ Youssef Assadi, Auditing – theoretical review, p.11-13

principles that they should follow and principles that guide them to organize their profession and work.

These are the rules of professional conduct or the principles and ethics of the profession.

Objectives of the Code of Professional Conduct:

- 1- Raising the level of the accounting and auditing profession.
- 2- Develop the spirit of cooperation between accountants and auditors and take care of their material and moral interests.
- 3-Supporting and supplementing the legal texts and provisions set by the legislator to regulate the profession.
- 4- Instilling reassurance and confidence in the hearts of the public who use the services of accountants and auditors that the work of auditors and accountants adheres to accurate technical, scientific and professional standards.

Types of code of professional conduct:¹⁷

The code of professional conduct is divided into several aspects:

1- In terms of authority or authority.

Here there are two types: A- Legal rules. b- Organizational rules.

2- In terms of the form of its issuance and the means of proving it.

There are also two types here: A- Written rules. b- Customary rules.

Texts of the code of professional conduct:

The texts of the code of professional conduct as contained in the publications of the Association of Certified Public Accountants in the Middle East are as follows:

- 1- Every institution or company whose partners are colleagues in this profession may introduce itself as certified public accountants.
- 2- No member has the right to be a manager, shareholder, representative, agent, partner or employee in a facility whose accounts are audited by the auditor.

¹⁷ Shetiwi Amin Abdel Salam, Reviewing Standards and Procedures, Dar Al-Nahda Al-Arabiya, Beirut, Fourth Edition, 1996, p. 14.

3- The member is not entitled to allow any other person to practice the profession as his representative or to use his name unless the person is a partner or an employee working for him at all times.

4- No member has the right to approve, testify or provide an opinion regarding the validity of financial statements that have not been audited or revised.

5- No member has the right to prepare, sign or express an opinion regarding any account report or statement if he knows that it contains material contrary to reality.

6- The member shall be guilty when committing a dishonorable act against the profession when expressing an opinion on account data that he has examined and shall be subject to expulsion from the association based on the recommendations of the Professional Conduct Committee.

7- The member shall not express an opinion on the account statements of any institution if he owns or is authorized to possess a material, financial or substantial benefit.

8- No member may tempt, directly or indirectly, any client through publications or advertisements, or make personal contact or interviews that do not result from previous personal relationships.

9- No member may advertise his professional services.

10- No member may, directly or indirectly, lead to a person other than an accountant any commission, brokerage, or participation in wages or fees for any professional work of any kind.

11- No member may combine any other profession or trade with the profession of chartered accountant so that it does not fit or be compatible with it.

12- The name of the member may not be used in conjunction with any estimate of the expected profits.

13- It is not permissible to offer or offer any service in return for a fee that is dependent on what is evident from the results after performing the service.

14- No member may directly or indirectly offer employment to any employee in the service of another chartered accountant.

15- No member may engage in speculation as a competitor to any other chartered accountant.

16- The member shall keep all the information he obtains from any client and not disclose it to any other person.

17- The member should lead his private life in a way that does not detract from the dignity of the association.

18- It is not permissible for any member to authorize any of its employees or representatives to provide its clients with any services that the member himself or his organization may not perform.

19- No member assigned to perform a specific work for a specific client through another chartered accountant may expand by providing other services outside the scope of the original assignment.

20- No member may allow his name to appear on any statement showing the financial position and results of operations in such a way that it can be concluded that he is qualified as an independent chartered accountant.

Errors and Fraud:¹⁸

Introduction:

The occurrence of errors and fraud in the accounting records comes due to:

1- Ignorance of accounting principles regarding recording, posting, tabulating, summarizing and displaying data.

2- Oversight, lack of care, negligence and negligence of account staff when working.

3- The desire to embezzle some of the company's property.

4- Covering previous disability or embezzlement.

5- The impact of the financial statements by the management and to serve certain purposes, such as an attempt to evade taxes.

Accounting data, as mentioned previously, is subject to error and fraud, and at the same time, it is necessary for decision-making by data users. Here came the role of the auditor, and what is required of him is to come up with a neutral technical opinion about the validity of the financial statements.

Types of Fraud and errors:

1- Error omissions and omissions resulting from failure to record an entire account process or one of its parties in the books.

2- Partial omission: it is easily detected for the imbalance of the trial balance, proof of taking the two ends of the entry only.

¹⁸ Abdulrahman, Accounting errors and their correction – MADDMON.COM , 31 dec 2021

3- Total deletion: it is detectable through the statements of customers' accounts when the two parties to the journal entry are not proven.

4- Commitmental errors, which are errors resulting from mathematical operations (subtraction, addition, multiplication) and do not affect the trial balance in terms of balance, for example, recording a purchase invoice in the amount of 780 dinars instead of 870. This can be detected by disclosing customer accounts or sending confirmations to customers.

5- Technical errors resulting from an error in the application of generally accepted accounting principles GAAP. These errors are considered dangerous because of their impact on the financial position of the project.

Example: Confusion between capital and revenue expenditures, lack of provision for doubtful debts and provisions for declining exchange rates and foreign currencies.

6- Written errors are the result of a mistake in the entry or deportation from what affects the balance, including those that do not affect it, an example of this is the registration of a certain operation registered twice and deporting it to the opposite side or to another account.

7- Equivalent errors, and here the error in some of them erases the error in others or compensates for it, and therefore it does not affect the trial balance, which is difficult to detect, for example, buying goods worth 3000 dinars and registering them with a value of 300 dinars and deporting them to the debit side in the amount of 300 dinars, and this error is compensated if another mistake is committed Similar to the increase in another customer's account.

Chapter Three:

Previous Studies

Introduction :

In this chapter we will be reviewing the previous studies that have been published and have a relation about the research that we are studying “The reality of external auditing in the company: Case study : EURL MIK” .

Section 1 : External Auditing and Internal Auditing

In the first section of reciting the previous studies around the reality of external auditing in a company we will be going through the researches that have been studied around the External auditing and Internal Auditing:

1- The Relationship between internal and external auditors of local authorities in England and Malaysia thesis prepared By **Siti Zabedah Saidin**, Submitted to the University of Sheffield in Fulfillment of the Requirements for the Degree of Doctor of Philosophy at the Management school in March 2010 That is summarized in this way :

As companies develop in size and complexity, both internal auditors and the organizing system are required to manage and monitor progress towards achieving their strategic objectives. In addition, organizations have statutory obligations to meet and internal controls are required to identify, meet and monitor compliance with these obligations. Further, organizations face a wide range of financial, administrative and commercial risks, from both internal and external sources.

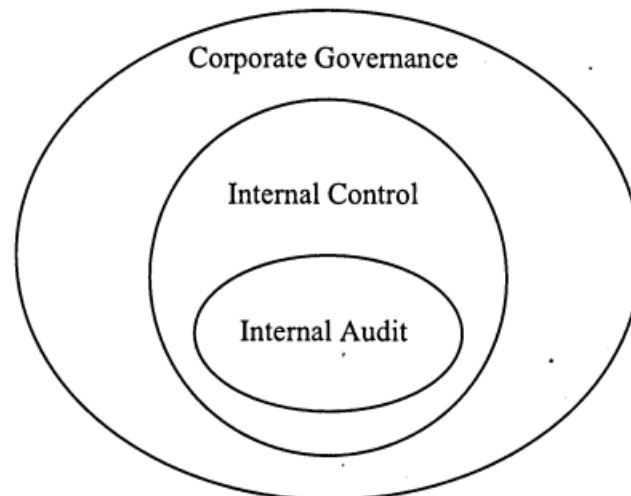
Consequently, organizations need a sound internal control system to identify, evaluate and control these risks.

The concept of internal control has received increasing attention in public policy debates on auditing and corporate governance .Internal control has been established as one dimension of corporate governance. For example, the International Federation of Accountants (IF AC, 2000) has recommended that a framework of internal control should be established and the effectiveness of internal controls should be published in the organization’s annual report as part of the corporate governance framework. IF AC (2000) also suggested the establishment of an effective internal audit function as part of the framework of internal control. In Malaysia, the Malaysian Code on Corporate Governance (Finance Committee on Corporate Governance, 2000) includes a principle that 1 the board of a listed company should maintain a sound system of

internal control to safeguard shareholders investments and the company's assets. Figure 1.1 summarises the relationship between the three elements: internal control, corporate governance and internal audit. Based on Figure 1.1, corporate governance is concerned with the structures and processes for decision making, accountability, control and behavior in organizations. Internal

control as a subset of the corporate governance structure is important because in most cases fraudulent practices and irregularities arise from weaknesses in the internal control system (Haron, 2004). Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. Thus, good corporate governance can be achieved with the assistance of internal auditors.

Figure 1.1: Relationship between internal control, corporate governance and internal audit.



The aim of this research is to examine the relationship between internal and external auditors, with particular emphasis on the co-operation between internal and external auditors, and the reliance of external auditors on the internal audit work in local authorities

2 - The Reliance of External Audit on Internal Audit: In Chinese Audit Corporations, an independent degree project prepared By **Hussam Falih Al-Shaheen & Hanglu Bai** for the degree of Master of science in business administration: Auditing and Control in the Kristianstad University of Sweden, Faculty of Business :

The objective of this research is to explore how external auditors rely on the work of internal auditors in audit firms in China. This study uses a qualitative method of semi-structured data collection interviews. Semi-structured interviews were conducted with internal auditors and external auditors working in China. On the basis of a summary of the existing literature on internal audit, external audit, the reliance of external audits on internal audit and audit quality, this paper analyses and compares the external auditor's reliance on internal audit and conceptualizes the results of the data analysis. Nevertheless, according to interviews, at present, small and mediumsized enterprises rarely set up an internal audit department, only large companies and government departments in China set up an internal audit, because, firstly, the

cost of an internal audit, secondly, the lack of professional internal audit staff and internal audit outsourcing in China is of this kind of legal form. The study showed that the qualitative analysis has provided evidence of the dependence of external audits on internal audits continue to exist in China. In addition, the study showed that Internal auditing needs to maintain independence and objectivity, while external auditing needs to ensure professionalism, independence and authenticity. To a certain extent, external audit relies on internal audit to save time and improve efficiency in order to improve audit quality in china. However, this dependence is based on the independence of the internal audit and the external audit and cannot be entirely dependent on the authenticity that will lead to the recurrence of similar Yin Guangxia incidents.

The reliance of external auditors on the internal auditors is studied in this research due to its impact in decreasing the external audit fees (Schneider, 2009). Audit quality plays a role in firm valuation and constraining earnings management in the world’s largest transitional economy and emerging market. (Chen H., Chen J., Lobo G.J. & Wang Y., 2011). Hence, the purpose of this study is to explore how external audit relies on internal audit in Chinese audit firms, and how this reliance impacts the audit quality.

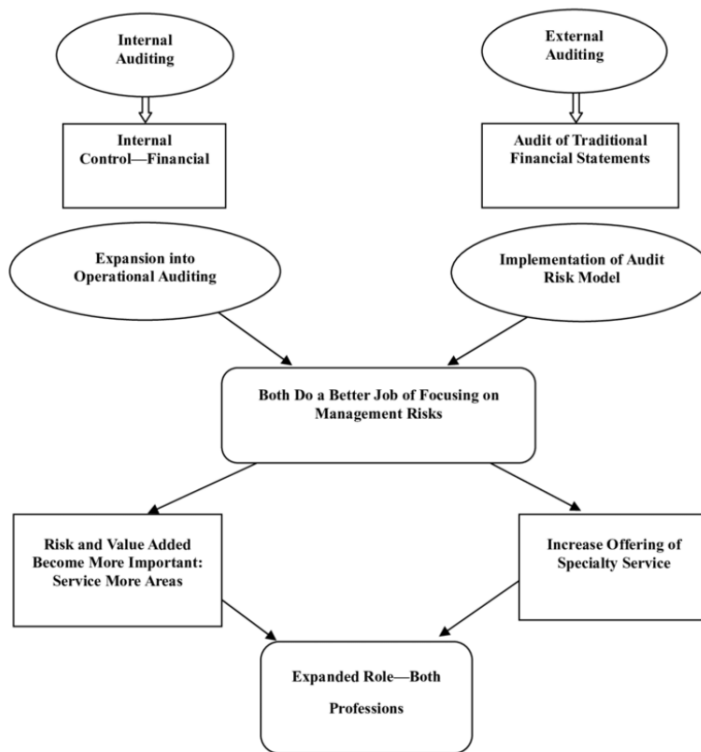


Figure 1¹⁹

3 - The Extent of the External Auditor’s Reliance on the Internal Auditor’s Report in Preparing the Report about the Financial Statements, a Research published in the International Journal of Business, Humanities and Technology Vol. 6, No. 1: February 2016 By **Laith Ahmad**

¹⁹ Satka, Ermelinda. (2017). Internal and External Audit in the Function of the Management of the Trade Companies. Journal of US-China Public Administration- Figure 1.

Al kasasbeh in Al-Balqa Applied University, Department of Administrative and Financial Sciences.

The study aimed to identify the extent of the external auditor's reliance on the internal auditor's report in preparing the report about the financial statements, the researcher has used statistical method (Spss) in analyzing the results of the study, The study found a set of results namely that the external auditor depends on the internal auditor's report when preparing the report on the financial statements, and that there are some problems that may face the external auditor when relying on the work and the report of the internal auditor, and that there is a difference between the work of internal and external auditors in writing and the preparation of the report and the internal auditor has role in facilitating the external auditing process. Based on the results of the study, it is recommended that the external auditor should verify the integrity and the transparency of the internal auditor and his commitment to the internal audit standards in preparing the report, and that the external auditor should take into account the present differences between his work and the work of the internal auditor, and that it is in favor of the external auditor and the external auditing process to activate the communication between him and the internal auditor in order to achieve a positive role in facilitating the external audit process.

The importance of this research emerges from the significance of interdependence between the internal and external auditors, where this interdependence among them is considered the cornerstone for the success of the profession in performing what is required, also the research is important because of the positive effects reflected on the performance of the profession and the promotion of social position due to the auditor's commitment to the general rules. In light of what was presented accompanied with the foregoing financial and economic collapses and scandals of international companies and the loss of rights of the investors, shareholders and stakeholder and the companies' need to set up auditing committees whether internal or external auditing, so one could demonstrate the importance of the study.

Section 2 : External Auditing and Performance

In this section we will be covering the previous studies that have swiped the EA and Performance :

1 - External Auditing and the Performance of Commercial Enterprises, a thesis done by Angye Gerald Akari in May 2018 at Centria University of Applied Sciences, which covers the role of external auditing and the performance of commercial enterprises and how they have impact the growth internally and externally of the commercial enterprises. External auditors and commercial enterprises has face many problems of mordent systems of keeping information's and the control measures put in place by management to provide information's to auditor's when it is being needed before auditing. Because management may have play with fraud, embezzlement and financial misstatement which shareholders and owners of business are not happy and may lead to lose much money and confidence in the management of their investment. External auditors always put internal control measures in their client's company system in other to see the activities of the management and prevent frauds and mismanagement they also used

expertise knowledge in the areas of auditing which they cannot do it by themselves. With the above method put in place by external auditor's commercial enterprise has greatly grown with great improvement internally and externally to the satisfactions of its stakeholders.

Chapter Four:

Data Analysis and Presentation

Introduction

In this chapter we will be analyzing the data collected from the field “EURL MIK”. The data has been analyzed and gathered in a single comprehensive general report that an external auditor has to state to the enterprise at the end of the financial year. We will also be observe how the external auditor detects and corrects different professional mistakes done mostly by the accountants.

Correcting accounting errors:²⁰

Accounting errors may be committed in the journal, ledger, or trial balance due to omission, forgetfulness, ignorance of accounting techniques and principles, or deliberate fraud in order to cover the previous and subsequent deficits in the final budget documents.

- The auditor noticed an error in the registration so that the accountant of the institution recorded the process of purchasing office furniture on the account as follows:

380		Stored goods	1700
	404	Fixed Asset Suppliers	1700
		(Error setting 38 instead of 2184)	

Corrections:

First method:

404		Fixed Asset Suppliers	1700
	380	Stored goods	1700
		(Cancellation of registration)	
2184		Furniture	1700
	404	Fixed Asset Suppliers	1700
		(Correct entry registration)	

This restriction (cancellation, correct registration) is a correct method, except that it increases the totals at the end of the session

²⁰⁾ LAID Mohammed, Comptabilité financière ; Exercices et Examens, office des Publications Universitaires, Ben Aknoun, Algérie, 2006

Second method:

2184		Furniture	1700
	380	Stored goods (Correcting the error)	1700

The auditor has detected an error related to the sale of goods on credit as follows, noting that the correct amount is 2540 instead of 2450

411		Client	2450
	700	Sales of goods (Invoice No...)	2450

Corrections:

First method:

700		Sales of goods	2450
	411	Client (Invoice No...)	2450
411		Client	2540
	700	Sales of goods (Invoice No...)	2540

Second method: Recording the difference $2540 - 2450 = 90$

411	700	Client // 90 Sales of goods (Invoice No...)	90
-----	-----	--	----

In addition to the direct method of correcting errors committed in the accounting books, which is the method of registration, in contrast to the wrong entry, the correct entry was recorded.

There is another method that can also correct the errors contained in the accounting books, which is:

Zero complement method: So that the sum of the wrong amount with the correct amount equals zero.

If the amount of 1540 DA is recorded instead of the correct amount of 1450 DA, and the correction is by canceling the wrong entry using the zero complement method.

Example: The amount of sales is 1450 dinars, on account.

411	700	Client // 1540 Sales of goods (Invoice No...)	1540
411	700	Client // 18460 Sales of goods (Cancellation of the registration in the zero complement)	18460
411	700	Client // 1450 Sales of goods (Proof of correct registration)	1450

It is noticeable that we canceled the first entry by completing the two zero accounts, i.e. as follows: $1540 + 18460 = 0$

- On 1/6/2002, the institution (AE) paid an amount of 120,000 DA through the bank in exchange for advertisements for a period of one full year, and the accountant recorded the following entry; What is the settlement?

623		Advertising, publishing and public relations //	120000	
	512	Banks current accounts		120000
		(Paying the advertisement through the bank, there are 7 months left until the end of the year)		
486		Preview burdens //	50000	
	623	Advertising, publishing and public relations		50000
		(Settlement of Pre-recorded publicity: 5 months of the detailed year)		
623		Advertising, publishing and public relations //	50000	
	486	Preview burdens		50000
		(Calculation of the advertising premium)		

Payment of sums by the institution and lack of identification and verification of its nature:²¹

On 1/7/2000, the institution paid the amount of 10000 dinars in the bank in favor of the company (A), and it was not sure of the nature of the expense. Is settlement possible?

47		transitional or pending accounts //	2450	
	512	Banks current accounts		2450
		1/7/2000 (Payment of alimony of unknown nature)		
615		Maintenance, repairs and care //	2540	
	47	transitional or pending accounts		2540
		December 31, 2000 (Settlement of acc /47)		

On 01/06/2001 the Corporation (S) received interest on loans from the bank through the bank for a full year, and the amount is 30000 DA. The accountant recorded the first entry related to receiving the amount; what are the constraints of the settlement to be done?

512		Banks current accounts //	30000	
	706	services provided		30000
		1/6/2001 (Cheque No....; 7 months left of the year)		
706		services provided //	12500	
	487	Preview revenue		12500
		31/12/2001 (adjustment of prepaid revenue i.e. 5 months)		
487		Preview revenue //	12500	
	706	services provided		12500
		1/1/2002 (calculating revenue premium, 5 months)		

²¹LAID MOHAMMED, Audit- Cours et enseignements, polycopié, Université Abdelhamid Ibn Badis - Mostaganem, 2020

Receipt of amounts by the institution and not knowing the nature of the revenue received:²²

On 1/7/2002 the Corporation received an amount of 5000 DA from the bank. The Corporation was not sure of the nature of this revenue received. When examining the documents by the auditor, it became clear to him on December 31, 2002 that the amount received on 1/7/2002 relates to a financial reduction presented to the Corporation.

What are the settlement restrictions that can be done by the account payer?

//

512		Banks current accounts	5000	
	47	Transitional or pending accounts		5000
		1/7/2002 (Bank Check No.... for Unknown Revenue Natural)		
	47	Maintenance, repairs and care	2540	
	768	Other financial products		2540
		December 31, 2002 (Settlement of acc no/47)		

A-

An auditor noticed a mistake made by the accountant during registration in the journal when the institution obtained equipment and tools so that the registration was as follows:

2155		Industrial Tools	2000	
	401	Inventory and Service Providers		2000
		(wrong entry i.e. 401 instead of 404)		

²² LAID MOHAMMED, comptabilité financière – Exercices & Solutions, photocopié, Université Abdelhamid Ibn Badis - Mostaganem, 2009

Corrections:

First method:

401		Inventory and Service Providers	//		2000	
	2155	Industrial Tools			2000	
		(Cancellation of entry by reverse entry)				
	2155	Industrial Tools	//		2000	
	404	Fixed Asset Suppliers			2000	
		(Proof of correct entry)				

Second method:

401		Inventory and Service Providers	//		2000	
	404	Fixed Asset Suppliers			2000	
		(correcting the error)				

	Acc.401	Acc.404	Acc.2155
2000	2000	2000	2000

B-

During the audit, it became clear that the accountant of the institution had inadvertently recorded, instead of the fund, using the account “the public treasury and public institutions (PTPI)” in his sale of goods amounting to 1000 UP, and he was given the following entry:

//

411	700	Clients Sales of goods (Invoice No...)	1000	1000
515	411	Public treasury and public institutions Clients (reimbursing PTPI account instead of cash)	1000	1000

Corrections:

First method:

411	700	Clients Sales of goods (Invoice No...)	1000	1000
411	515	Clients Public treasury and public institutions (entry cancellation)	1000	1000
53	411	Cash desk Clients (correct registration)	1000	1000

Second Method :

53	515	Cash desk Public treasury and public institutions (correcting the error)	1000	1000
----	-----	--	------	------

C-

The accountant of the institution paid the expenses of maintenance and repairs in the amount of 8000 dinars, and upon flowing it became clear that instead of this entry, he recorded another entry, which is the expenses of postal and telecommunications, and payment was carried out through the bank.

Wrong entry

626		Postage and telecommunications expenses //	8000	
	512	Bank (Maintenance, Payed by bank) ---- 626 instead of 615		8000

Corrections:

First method:

512		Bank //	8000	
	626	Postage and telecommunications expenses (Cancellation of entry by reverse entry)		8000
615		Service, repairs and maintenance //	8000	
	512	Bank (Proof of correct entry)		8000

Second Method :

615		Service, repairs and maintenance //	8000	
	626	Postage and telecommunications expenses (Correcting the error)		8000

D-

An auditor noticed a mistake made by the accountant in the commercial establishment when he recorded the sales process in the general journal, and the entry was as follows:

//

411		Clients	5000	
	701	Sales of finished products		5000
		Purchases of goods sold	4500	
600		Goods inventory		4500
	30			

Corrections:

First method:

701		Sales of finished products	5000	
	411	Clients		5000
		(Cancellation of entry by reverse entry)		
		Purchases of goods sold	4500	
600		Goods inventory		4500
	30	(Proof of correct entry)		

Second Method:

701		Sales of finished products	5000	
	700	Sales of goods		5000
		(Correcting the error)		

E-

The accountant of the production enterprise recorded the following entry in the case of sales:

512		Bank	3000	
	700	Sales of goods		3000
		(Invoice No...)		

//

722		Variations of goods' stocks	2700
	355	Goods inventory (Exit Coupon No...)	2700

Corrections:

First method:

700		Sales of goods //	3000
	512	Bank (Cancellation of entry by reverse entry)	3000
	512	Bank //	3000
	701	Sales of finished products (Proof of correct entry)	3000

Second Method :

700		Sales of goods //	3000
	701	Sales of finished products (Correcting the error)	3000

F-

The auditor inspected an error in the journal of the commercial establishment, and the entry is as follows:

411		Clients //	800
	700	Sales of goods (Invoice No...)	800

355		Finished Products	700
	720	Variations of good's stocks (Exit Coupon No...)	700

Corrections:

First method:

701		Sales of finished products //	800
	411	Clients (entry cancellation)	800
	720	Variations of good's stocks //	700
	355	Finished Products (entry cancellation)	700
	411	Clients //	800
	700	Sales of goods (Proof of correct entry)	800
	720	Variations of good's stocks //	700
	355	Finished Products (Proof of correct entry)	700

Second method

411		Clients //	800
	700	Sales of goods (Invoice No...)	800

355		Finished Products	700
	720	Variations of good's stocks (Exit Coupon No...)	700

701		Sales of finished products // _____	800
	411	Clients (entry cancellation)	800
	720	Variations of good's stocks // _____	700
	355	Finished Products (entry cancellation)	700
	720	Variations of good's stocks // _____	700
	355	Finished Products (Proof of correct entry)	700

Reconciliation of the bank account acc/512 :²³

It is known that when the institution records an amount in the debit side of the bank account 512 automatically and logically, it appears in the account statement sent by the bank on the reverse side, that is, on the credit side; During a comparison or rapprochement, at the end of the cycle between the amounts (with the institution on the one hand and with the bank on the other) differences may appear between the two balances; acc/512 bank balance and account statement balance This difference is due to several reasons, perhaps the most important of which are drawing checks that were not collected at the bank, sending checks to the bank that have not been collected, calculating interests for the institution's account or on it, calculating bank expenses and others....

Example:

²³ LAID MOHAMMED, comptabilité financière - Exercices & Solutions, polycopié, Université Abdelhamid Ibn Badis - Mostaganem, 2010

The balance of acc /512 bank at the end of the session is debited in the amount of 100,000 da, the balance of the bank statement of the institution is in the amount of 97,450 da, and when compared or close, the following statement appeared in the account:

- 1) The bank calculates interests in favor of the institution with a credit balance of 500 DA
- 2) The bank calculates expenses for the institution, an amount of 50 DA
- 3) The bank paid the value of a commercial paper (bill of exchange) 6000 DA drawn on the institution.
- 4) Check No. 11 that was withdrawn in favor of a supplier, amounting to 6000 DA, did not appear. Check No. 26 for 3,000 DA was sent for collection and did not appear in the account statement.

Solution :

The operations that did not appear in the books of the institution and that appeared in the statement of account must be recorded, which are the operations No. 1, No. 2, and No. 3

512		Bank //	800	
	762	Asset returns		800
627		Banking services //	700	
	512	Bank		700
403		Bond suppliers to be paid //	700	
	512	Bank		700

Settlement note:

Acc 512	
6000	100000
50	500
94450	
100500	100500

On 01/6/2002, Company (Q) paid an amount of 120,000 dinars through the bank in exchange for maintenance, repairs and care for a period of one year. Upon checking, it became clear that the accountant had recorded the following entry. What is the settlement process?

		01/6/2002			
615		Service, repairs and maintenance		12000	
	512	Bank			12000
		(Paying by the bank....)			

Solution :

		01/6/2002			
615		Service, repairs and maintenance		12000	
	512	Bank			12000
		(Maintenance, paying through the bank, 7 months left until the end of the year) = hence we calculate only 7 months			
		31/12/2002			
486		Prepaid expenses		50000	
	615	Service, repairs and maintenance			50000
		(Settlement of pre-recorded maintenance: we calculate the remaining 5 months of the previous year)			
		//			
615		Service, repairs and maintenance	01/01/2003	50000	
	486	Prepaid expenses			50000
		(Calculate the maintenance premium for this year)			

On 01/06/2001 the institution (R) received discounts and rebates through the bank for a whole year, and the amount is 30,000 dinars. During the audit, it became clear that the accountant had recorded the first entry for receiving the amount; What are the entries of settlement?

		01/6/2002			
512		Bank	30000		
	709	Rebates, rebates and rebates granted (Excluding invoice) (Receipt of revenue, check number...)		30000	

Solution :

		01/6/2001			
512		Bank	30000		
	709	Rebates, rebates and rebates granted (Excluding invoice) (Cheque No, 7 months left until the end of the year)		30000	
		31/6/2001			
	709	Rebates, rebates and rebates granted (Excluding invoice)	12500		
	487	Deferred revenue (adjustment of prepaid revenue i.e. 5 months)		12500	
		01/01/2002			
487		Deferred revenue	12500		
	709	Rebates, rebates and rebates granted (Excluding invoice) (calculating revenue premium, 5 months)		12500	

Payment of sums by the institution and the lack of identification and verification of its nature:²⁴

On 1/7/2000, the institution paid an amount of 10000 dinars in the bank in favor of the company (p) and did not confirm the nature of the expense, but during the examination of the documents,

²⁴ LAID MOHAMMED, Audit - Exercices & Solutions, polycopié, Université Abdelhamid Ibn Badis - Mostaganem,2010

it became clear to the auditor on December 31, 2000 that the check that had been previously paid was related to maintenance and repair expenses What is the possible settlement

47	512	01/07/2000	10000	10000
		Transitional or suspense accounts Bank (Payment of alimony of unknown nature)		

Correction:

47	512	01/07/2000	10000	10000
		Transitional or suspense accounts Bank (Payment of alimony of unknown nature)		
615	47	31/12/2000	10000	10000
		Service, repairs and maintenance Transitional or suspense accounts (settlement acc/47)		

Receiving amounts from the institution and not knowing the nature of the revenue received:²⁵

On 1/7/2002, the institution received an amount of 5000 dinars from the bank and was not sure of the nature of this revenue. During the work of the auditor, it became clear to him that the amount received on 1/7/2002 was related to a financial reduction presented to the institution, so what are the settlement restrictions that can be made?

1/7/2002

²⁵ LAID MOHAMMED, Audit - Exercices & Solutions, polycopié, Université Abdelhamid Ibn Badis - Mostaganem,2010

47		Transitional or suspense accounts Bank (Payment of alimony of unknown nature)	10000	
	512			10000

Correction :

		_____ 1/7/2002 _____ Bank Transitional or suspense accounts (Bank Check No.... for Unknown Revenue)	5000	
512	47			5000
47	768	_____ 31/7/2002 _____ Transitional or suspense accounts Transitional or suspense accounts (settlement acc/47)	5000	5000

The general report of the statutory auditors for
the 2021 financial year in the enterprise EURL MIK

The general report of the statutory auditors for the 2021 financial year in the enterprise EURL MIK :

1. Presentation of the statutory auditor's report on the corporate financial statements as of 12/31/2021

Dear Mr. Sole Managing partner of EURL MIK

In fulfillment of our mandate as Statutory Auditor of EURL MIK, we have the honor to present to you our Statutory Auditor's report below.

As part of our mission, we have done:

1. The assessment of the company's internal control;
2. Control and analysis of the corporate accounts closed on 12/31/2021;

This allowed us to formulate remarks and observations that we considered useful and relevant for a better reliability of the Company's accounting information.

Remaining at your disposal for any further information, please accept, Mr. Sole Managing Partner, the expression of our best regards.

2. Profile presentation of the enterprise :

Legal status of the company :

Single member limited liability company (SMLLC or “EURL in French”)

Statute :

The EURL MIK was created on 02/July/2009 under the statutes established by Mr Notary in Mostaganem, Algeria.

Social object:

Machining and manufacturing of parts for industrial use.

Share capital:

594.075.900 DA

Governing bodies:

Sole managing partner : Mr. KADA MISSOUM “Owner”

The head office:

Monadhoh Valley, Road of Ain sidi cherif, Mostaganem.

Work force :

68 employees.

3. Update on our recommendations from previous years :

In this part we will be having the honor to present the update on the implementation of our recommendations formulated in the previous years reports:

Third parties accounts:

it is recommended to verify receivables at the end of each month by cross-referencing data from the sales department and the accounting department.

*This recommendation has been taken care of.

Availability accounts:

The proliferation of bank accounts in some are not even used on a regular basis, unnecessarily complicates the financial management of the company

*This recommendation is still relevant.

4. Audit of corporate accounts at 31/12/2021 :

The work delivered in this report was based on documents given to us by the accounting department of EURL MIK and which consist of:

- A trial balance of accounts;
- ledgers of accounts and sub-accounts;
- a non-accounting file of fixed assets;
- various documents consulted on site.

Fixed asset account:

- Account 204 - computer software and similar ; Amount : 624,188.04

This amount represents the value of the acquisition of software applications such as of the accounting, salary and inventory management

- Account 211 – land ; Amount : 22,464,000

This amount represents the value of acquisition of the land owned by the EURL MIK that was determined by an expert.

- Account 213200 - administrative buildings ; Amount : 592,075,900

This variation is explained by the finding of the assessed value of the building inhabiting the administrative premises and the filming workshops and the company carried out by the land expert on the instructions of the president of the court of Mostaganem, This operation was carried out by a notarial deed dated in 25/05/2017.

- Account 213800 - fixtures and fittings ; Amount : 7,109,678.24

This amount houses the work of separation in aluminum panels of the administrative premises of the EURL MIK

- Account 215600 - industrial tools ; Amount : 194,798,604

This account includes the acquisitions of industrial machinery and other equipments.

- Account 218200 - transport equipment ; Amount : 23,196,000

This amount includes the acquisitions of the transport cars owned by the enterprise.

- Account 218210 - heavy transport equipment ; Amount : 3,560,000

This amount includes the acquisitions of the heavy transport cars owned by the enterprise.

- Account 218220 - light transport equipment ; Amount : 4,300,000

This amount includes the acquisitions of the Light transport cars owned by the enterprise.

Description	Date of Acquisition	Quantity	Price of Unit	Amount	Observations
KIA Picanto	2009	1	1,100,000	1,100,000	Confirmed By the Inventory
Renault Symbol	2013	1	3,200,000	3,200,000	Confirmed By the Inventory
Total				4,300,000	

- Account 218300 - computer equipment :

Balance at 31/12/2021	:	2,744,879.48
Reminder sale 2020	:	<u>2,023,279.48</u>
Variation	:	+721,600

This account includes the computer equipment and materials owned by the company since its creation.

- Account 218400 - office furniture ,

This account houses the equipment and office furniture acquired by the enterprise for its head office.

Balance at 31/12/2021	:	5,836,840
Reminder sale 2020	:	<u>4,966,040</u>
Variation	:	+870,800

- Account 232100 - assets under construction

Balance at 31/12/2021	:	858,799,970
Reminder sale 2020	:	<u>632,560,036</u>
Variation	:	+226,239,934

This account houses the expenses, advances and deposit paid to third parties as part of its future projects.

Depreciation accounts :

This work of checking balances and concept of depreciation of fixed assets consisted of comparing the accounting data with the information in the file dedicated to the calculation of end-of-year depreciation allowances

Recommendation :

The equipment fully depreciated on the 23/05/2019 that continues to be operated by the company must give rise to a depreciation plan based on the new life of utility.

Inventory Accounts :

- Account 310 - Inventory: Bearings	:	38,641,447.8
- Account 311 - Inventory: raw materials	:	65,572,427.7
- Account 321 - Inventory: consumables	:	6,586,656.04
- Account 322 - Inventory: office consumables	:	3,265,873.16
- Account 322 - Inventory: office supplies	:	3,012,967.94
- Account 331 - Inventory: products in progress	:	8,041,445.04
- Account 355 - Inventory: Finished goods	:	5,314,200.00
Total	:	130,435,017.68 DA

As part of the end-of-year physical inventory operation, the above stock items are listed

Third party accounts :

Clients accounts :

- Account 411100 - client: public companies : 17,863,542.20

This general account houses the debt held on all the company's customers.

Note:

The analytical review of customer balances highlights receivables prior to the year 2021 which must be the subject of balance confirmation for their recovery and/or, where applicable, their accounting consolidation. It consist of some private invoices.

- Account 411200 - client: private companies : 32,553,613.4

This general account houses the debt held on private customers. The analytical review of customer balances highlights previous receivables not collected at the closing of the corporate accounts for the financial year of 2021. It also consists of some private invoices

Recommendation:

it is recommended to take charge of the debt file to clean up this situation.

- Account 412000 – holdback of company X : 114,076

This general account houses the holdback held by company X.

- Account 416100 – questionable clients : 607,740

It is detailed in some invoices.

Note: The debts of questionable clients should always be provisioned.

- Account 419000 - advances and installments received (credit balance) : 15,546,457.5

Cash and similar accounts

- Account 512000 : BDL 423 : 10,350,501.14

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512100 : BDL 425 : 18,695.38

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512200 : BADR : 65,849.3

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512300 : CPA MOSTA : 10,748,867.42

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512400 : NATIXIS Mostaganem : 627,692.3

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512500 : BNP PARIBAS : 96,203.32

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512600 : CNEP Agence Mosta : 97,350

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021. comparing the company's accounting information and the bank account data

- Account 512700 : TRUST : 16,492.36

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021, comparing the company's accounting information and the bank account data

- Account 512800 : Société générale : 822,739.4

The balance of the two accounts above is confirmed by a reconciliation statement drawn up at the end of 2021, comparing the company's accounting information and the bank account data

Balance sheet liabilities

Capital Accounts:

- Account 101005 - Operating funds: 594,075,900

This account houses the capital after revaluation of the building housing the administrative premises and the workshops of the company EURL MIK, It was carried out by the land expert Mr X appointed by the court of Mostaganem, this operation was ratified by a notarial deed dated of 23/04/2017 established by Mr X.

- Account 108000 - Operator account : 328,827,933.72

This balance represents the remainder between the withdrawals made by the operator and the expenses he incurred on behalf of the company as well as the results of previous years.

- Account 110000 - Retained earnings:

Balance at 31/12/2021: 132,650,837.60

Reminder sale 2020 : 84,182,116.36

Variation : +48,468,721.24

This variation is explained by the transfer of profit for the 2020 financial year.

Debt Accounts:

Long-term Loans:

- Account 164100 - BDL loans : 361,806,004.00

This balance includes the total amount of multiple acquisition invoices and situations paid through the bank BDL.

- Account 164200 - CPA loans : 61,360,000.00

This balance includes the total amount of the acquisition of 2 digital lathe and the amount of an advance on an invoice.

Supplier accounts :

- Account 401110 : Inventory suppliers, Public Companies : 119,000.00
- Account 401120 : Inventory suppliers, Private Companies : 81,342,741.9
- Account 401210 : Service providers, Public Companies : 3,170,489.62
- Account 401220 : Service providers, Private Companies : 3,146,548.00
- Account 404100 : Suppliers, Holdbacks : 3,391,732.46
- Account 404200 : Fixed asset suppliers – Private Companies : 84,945,472.02
- Account 409100 : Fixed assets suppliers, Advances and deposits : 10,807,393
- Account 409200 : Fixed assets suppliers, Advances and deposits: 994,060

Note:

The analytical review of supplier balances reveals debts dating from previous years which, in our opinion, must be the subject of balance confirmation.

- Account 421000 - Personnel, Remuneration due : 3,485,780.04

This is the payroll for the month of December 2021 for all company's staff not cleared at the end of the 2021 financial year.

- Account 431000 - CNAS payment schedule : 4,665,333.32

This is the remainder of the CNAS debt from previous years that has been subject to a repayment schedule since 2016. It is detailed as follows :

Initial amount	:	28,625,333.32 DA
- Refund ex.2017	:	5,920,000.00 DA
- Refund ex.2018	:	5,280,000.00 DA
- Refund ex.2019	:	5,280,000.00 DA
- Refund ex.2020	:	5,280,000.00 DA
- Refund ex.2021	:	<u>2,200,000.00 DA</u>
Balance at 31/12/2021:		4,665,333.32 DA
- Account 431100 - CNAS debt - employee share	:	2,619,517.28
- Account 431200 - CNAS debt - Employer share	:	7,567,494.34
- Account 442100 – Income tax of Salaries	:	1,352,303.6

These are social security contributions and Income taxes deducted from salaries for the months listed, not cleared at the end of December 2021

Date	Période	Déclaration CNAS			Total income tax
		Assiette	Part ouvrière	Part patronale	
31/01/2021	Jan. 2021	/	/	/	251,570.44
28/02/2021	Feb.2021	4,473,958.22	402,656.24	1,163,229.14	247,497.40
30/03/2021	March 2021	3,009,954.08	270,895.86	782,588.06	144,710.74
30/05/2021	Mai 2021	1,253,650.14	112,828.52	325,949.04	/
30/06/2021	June 2021	2,283,843.88	205,545.94	593,799.42	/
30/07/2021	July 2021	2,754,370.74	247,893.36	716,136.40	117,768.62
30/08/2021	Aug.2021	3,244,422.42	291,998.02		105,728.82
30/09/2021	Sept.2021	3,713,904.40	334,251.40		117,064.92
30/10/2021	Oct.2021	/	/	/	112,220.48
30/11/2021	Nov.2021	4,418,855.00	397,696.96	1,148,902.30	144,486.00
30/12/2021	Dec.2021	3,952,788.66	355,750.98	1,027,725.06	11,257.06
	Total		2,619,517.28	7,567,494.4	1,352,305.06

- Account 444200 – Corporate taxes on result : 55,325,279.30
- Account 445500 - VAT payable : 10,249,580.00
- Account 445600 - Deductible VAT on purchases: 617,918.86 (Debit balance)
- Account 445660 - VAT prepayment : 125,118 (Debit balance)
- Account 445710 - VAT collected : 6,045,770.54
- Account 445800 - VAT to be adjusted : 46,656,702.76
- Account 447100 - APR payable : 3,029,199.52

The examination of the last extract from the role issued on 03/09/2021 by Mostaganem's tax center does not mention the tax debts.

Note:

The accounting information relating to the accounts linked to the company's taxation would benefit from being analyzed and detailed to bring it into line with the data of the Tax Administration.

Mr. Sole Partner-Manager of EURL MIK

Subject: Opinion on the 2021 annual accounts

The control operations that I carried out were held in accordance with the rules of normal diligence. They were carried out in particular on the basis of surveys, cross-checks and other methods which seemed to me the most appropriate.

I carried out the checks that I deemed useful to assess the sincerity and regularity of the accounts on which you are called upon to rule.

On the basis of the control work that I have carried out and the implementation of the procedures which have enabled me to obtain reasonable assurance that the annual accounts do not contain any significant anomalies, I conclude my opinion as follows:

I consider that I am able to certify that the annual accounts closed on December 31, 2021, showing a balance sheet total (assets / liabilities) of: 1,819,697,011.64 DA and a net profit of: 68,066.00 DA are sincere and regular and give an image of the operations of the past financial year without prejudice to the recommendations and remarks made in the audit report of the accounts.

To

The Sole Managing Partner of EURL MIK

Subject: Report on internal control procedures.

Pursuant to the provisions of Executive Decree No. 11-202 of May 28, 2011, we have the honor to present our report on internal control procedures.

C. Management of fixed assets and inventory procedure

- Keeping of a register of fixed assets acquired by the company for its operation;
- Codification by item of fixed assets;
- Realization of an exhaustive inventory of these assets at least once a year - closing inventory of the financial year - **(cf. art 10 of the ordinance 75 -59 of September 26, 1975 relating to the amended and supplemented commercial code).**

D. Keeping of legal books

d.1. legal books concerning commercial companies: (art 09 of ordinance 75 -59 of September 26, 1975 relating to the amended and supplemented commercial code)

This text requires commercial companies to keep:

- a centralizing general journal;
- an inventory book.

These two registers must be numbered and initialed by the registry of the Court having territorial jurisdiction.

And must be presented at any requisition of the tax authorities under penalty of rejection of accounting.

Note:

- **Centralizing general journal:**

It is listed and initialed by the President of the Court of Mostaganem on February 03, 2016. **It is stopped on December 31, 2021.**

- **Inventory book kept and updated:**

It is listed and initialed by the President of the Court of Mostaganem on December 20, 2009. **it is stopped on December 31, 2021.**

b.1. Registers provided for by the provisions relating to labor legislation:

These provisions concern all employers regardless of their status. As such, they are required to keep the following registers up to date:

- books of personnel movements.
- listed and initialed payroll.
- paid leave book.
- register of observations and formal notice and labor inspection.
- register of foreign workers.

Note:

- **Payroll Book :**

It is listed and initialed by the President of the Court of Mostaganem on XX/XX/XX

- **Book of annual leave:**

It is listed and initialed by the President of the Court of Mostaganem on XX/XX/XX

- **Book of staff movements:**

It is listed and initialed by the Labor Inspectorate dated XX/XX/XX

- **Book of Hygiene, Safety & Occupational Medicine:**

It is listed and initialed by the Labor Inspectorate dated XX/XX/XX

- **Work accident book:**

It is listed and initialed by the Labor Inspectorate dated XX/XX/XX

To

The Sole Managing Partner of EURL MIK

Subject: Report on the amount of the five highest salaries.

Pursuant to article 680 of the commercial code, we present to you the certified and exact global table of the amounts paid to the five highest paid employees of the company.

To

The Sole Managing Partner of EURL MIK

Subject: Report on special benefits granted to staff.

Pursuant to the provisions of Executive Decree No. 11-202 of May 29, 2011, we have the honor to present to you our report on the special benefits granted to staff.

We did not have to note any particular advantages granted to EURL MIK staff in 2021

Balance sheet (Asset)

ASSET	N			N-1
	Gross Amounts	Depreciations, Provisions and Impairments	Net	Net
NON-CURRENT ASSETS				
Goodwill - Positive or Negative			0.00	
Intangible assets	624,188.04	283,458.72	358,729.32	358,729.32
Fixed assets				
Lands	22,464,000.00	0.00	22,464,000.00	22,464,000.00
Buildings	599,185,578.24	3,528,950.96	595,656,627.28	595,656,627.28
Property, Plant and equipment	234,436,323.14	71,063,800.28	163,372,522.86	161,780,122.86
Fixed assets under concession			0.00	0.00
Assets in progress	858,799,970.38	0.00	858,799,970.38	632,560,035.96
Investments in associates				
Securities accounted for using the equity method	0.00		0.00	0.00
Other equity investments and related receivables	0.00		0.00	0.00
Other fixed securities	0.00		0.00	0.00
loans and other non-current financial assets	0.00		0.00	167,335,360.00
Deferred taxes active	0.00		0.00	0.00
TOTAL NON-CURRENT ASSETS	1,715,510,059.80	74,876,209.96	1,640,633,849.84	1,580,136,875.42
CURRENT ASSETS				
Stocks and work in	130,435,017.68		130,435,017.68	127,288,020.06

progress				
Receivables and similar uses				
Clients	51,161,371.60		51,161,371.60	45,957,738.20
Other debtors	11,801,453.00		11,801,453.00	13,035,274.74
Taxes and similar	743,036.86		743,036.86	164,049.60
Other receivables and similar uses	0.00		0.00	0.00
Availabilities and similar				
Investments and other current financial assets	0.00		0.00	0.00
Treasury	922,282.66		922,282.66	3,466,418.92
TOTAL CURRENT ASSETS	195,063,161.80		195,063,161.80	189,911,501.52
GRAND TOTAL ASSETS	1,910,573,221.60	74,876,209.96	1,835,697,011.64	1,770,048,376.94

Balance sheet (Liability)

Liability	N	N-1
Shareholders equity		
Issued capital	922,903,833.72	743,839,500.50
Uncalled capital		
Premiums and reserves - consolidated reserves		
Revaluation differences		
Equivalence difference		
Net result - net result group share	68,065.36	48,468,721.24
Other equity	132,650,837.60	42,091,058.18
Share of the consolidating company		
Minority share		
TOTAL I	1,055,622,736.68	876,490,338.10
NON-CURRENT LIABILITIES		
Borrowings and financial debts	423,166,044.00	390,801,414.86
Taxes (deferred and provisioned)		
Other non-current debts		
Provisions and deferred income		
TOTAL II	423,166,044.00	390,801,414.86
CURRENT LIABILITIES		
Accounts payable	176,115,984.00	316,769,348.96
taxes	122,985,252.92	125,930,739.52
Other debts	35,884,886.08	31,175,330.16
Passive cash	21,922,107.96	28,881,205.34
TOTAL III	356,908,230.96	502,756,623.98
TOTAL LIABILITIES (I+II+III)	1,835,697,011.64	1,770,048,376.94

Income statement

Rebates		N		N-1	
		DEBIT In DA	CREDIT In DA	DEBIT In DA	CREDIT In DA
Sale of goods					
Sold production	Manufactur ed products				
	Services				
	Sale of works		130,208,816.00		229,085,766.00
Related products					
Rebates, discounts, rebates granted					
Turnover net of rebates, discounts, rebates			130,208,816.00		229,085,766.00
Stored or destocked production		-130,208,816.00	8,743,446.00	-229,085,766.00	4,612,200.00
Immobilized production					18,355,200.00
Operating grants					
I- Production of the exercise			138,952,262.00		252,053,166.00
Purchases of goods sold					
Raw materials					
Other supplies		93,076,816.00		35,911,128.00	
Inventory changes					
Purchases of studies and services		0.00		293,100.00	
Other consumptions		1,632,544.00		1,341,200	
Rebates, rebates, rebates obtained on purchases					
Exterior Services	General subcontracting				
	Rentals	3,360,000.00		94,000.00	
	Service, repairs and maintenance	1,335,336.00		3,580,976.00	
	Insurance premiums	1,226,846.00		2,118,728.00	
	Staff outside the company				
	Remuneration of intermediaries and fees	741,400.00		8,875,250.00	
	Advertisement	340,220.00		113,680.00	
	Travel, missions and receptions	5,000,502.00		50,180,014.00	
Other services		8,091,206.00		12,712,106.00	

Rebates, discounts, rebates obtained on external services				
II-Consumption for the financial year	114,805,664.00		115,219,452.00	
III-Operational added value (I-II)		24,147,398.00		136,433,138.00
Staff costs	49,138,784.00		73,526,944.00	
Taxes and duties and similar payments	1,365,852.00		2,638,226.00	
	30,357,238.00			60,264,128.00
Other operating income		31,918,892.00		19,194,768.00
Other operating expenses	22,776.00		81,204.00	
Depreciation and amortization	0.00		15,301,494.00	
Provision				
Impairments				
Reversal of impairment losses and provisions				
V-Operating result		5,538,878.00		64,076,238.00
Financial products				
Financial expenses	5,470,812.00		4,238,312.00	
VI-Financial result	5,470,812.00		4,238,312.00	
VII-Ordinary result (V+VI)		68,066.00		59,837,926.00
Extraordinary items (Income)				
Extraordinary items (Expenses)				
VIII- Extraordinary result				
Taxes payable on results	0.00		11,369,204.00	
Deferred taxes (variations) on results				
IX-NET INCOME FOR THE YEAR		68,006.00		48,468,722.00

General Conclusion :

The industrial revolution led to the growth of the size of the company and the multiplicity of its workers. Ownership hence was separated from the management, The role of the management in the leading of the institution shifted from its owners. The relationship between the managers and the owners became distant. Accordingly, the owners were not able to directly access much of the information that concerns their companies, they also became a bit uncertain of the correctness of the information provided by the administration of their companies “in form of reports and financial statements”, and from this information that will be taken by the management, it includes what reflects the level of the institution’s performance and the effectiveness of the decisions taken by the management on which concerns the operational aspect, the effectiveness of the use of available resources, the monitoring of implementation, the preservation of the institution’s assets and the efficiency of its management

Auditing’s role here is examining the internal control systems, data, documents, accounts and books of the project under scrutiny, an organized critical examination with the intent of coming up with a neutral technical opinion about the extent to which the financial statements indicate the financial status of that project at the end of a known period of time and the extent to which they depict the project’s business results from profit and loss for that period.

Through our field study in the MIK institution, the result was that the institution is trying to keep pace with the economic development. We also conclude that the institution has a sound control system by standing on how each department performs its tasks. The great presence of the external auditor within the institution is what highlights accurate and sound information in order to protect its assets and properties.

As well as by discussing on how the statutory auditor’s general report is written we learned how the external auditor really performs inside a company

Hypothesis Test:

The first hypothesis revolved around the fact that External audit is an absolute necessity in all economic institutions

Through the research, this was confirmed by stating the importance of the external audit as a tool to achieve efficiency and effectiveness for all the operations of the company.

- The more accurate the external auditor worked in a company, the better and easier became the job for the owner or the shareholders to make futuristic decisions.

The second and third hypotheses include the institution hiring a skilled external auditor to achieve the best satisfactory results and thus preserve the institution's assets by using the available resources effectively.

The more disciplined and skilled the external auditor was, the more he leads to the accuracy and credibility of information, the detection of errors and the reduction of embezzlement.

Annexes

Annexes

Three-digit accounts blog:²⁶

Category 1: Capital Accounts

10- Capital, reserves and the like

101 - Issued capital, company capital, earmarked funds, or investment funds

103 - Bonuses related to the company's capital

104 - Evaluation Difference

105 - Revaluation Difference

106 - Precautions (legal, basic statutory, normal and regulated)

107 - Equation difference

108 - Scalper's Account

109 - Unwanted Subscribed Capital

11 - Deportation again

12- The result of the fiscal year

13 - Deferred products and charges - outside the exploitation cycle

131- Equipment subsidies

132- Other subsidies for investment

133- Deferred taxes on assets

134- Deferred taxes on liabilities

138- Other products and deferred charges

14- (available)

²⁶ LAID Mohammed, lexique financier et comptable & annexes, (français-arabe), maison d'édition Dar oum el kitab, Alger, 2013

15- Provisions for burdens - non-current liabilities

153. Pension provisions and similar obligations

155- Provisions for Taxes

156- Provisions for the renewal of fixations (privilege)

158- Other provisions for burdens - non-current liabilities

16- Similar loans and debts

161- Covalent bonds

162- Convertible Bonds

163- Other bond borrowings

164- Borrowings with loan institutions

165- Deposits and guarantees received

167- Debts arising from the bridging contract - financing

168- Other borrowings and similar debts

169- Bond Payment Bonuses

17- Debts linked to contributions

171- Debts linked to the contributions of the Society

172- Debts linked to contributions outside the complex

173- Debts related to companies in the form of joint stock

178- Other debts linked to contributions

18- Link accounts for institutions and companies in the form of
Input

181- Inter-institutional correlation accounts

188- Association accounts between companies in the form of joint stock

19- (available)

Category 2: installation accounts

- 20- Moral fixations
- 203- Development expenses are fixable
- 204- Informatics software and the like
- 205- Privileges, similar rights, patents, licenses and marks
- 207- Acquisition difference
- 208- Other moral fixations
 - 21- Eye fixations
 - 211- Land
 - 212- Land arrangement and preparation processes
 - 213- Buildings
 - 215- Technical installations, equipment and industrial tools
- 218- Other ophthalmic fixations
 - 22- Installments in the form of a franchise
 - 221- Concessionary lands
 - 222- Arranging and preparing the concession lands
 - 223- Franchisee buildings
 - 225- Franchise technical installations (installations)
 - 228- Other concessions in kind
 - 229- Franchisor Rights
 - 23- Installations in progress
 - 232- In-kind fixes in progress
 - 237- Moral fixations in progress
 - 238- Advances and accounts paid for requests for installations
- 24- (available)

- 25- (available)
- 26- Contributions and credit accounts attached to contributions
- 261- Associated Branch Bonds
- 262- Other Contribution Bonds
- 265- Equity-denominated contribution bonds (participating institutions)
- 266- Credit accounts attached to the contributions of the Association
- 267- Credit accounts attached to contributions outside the complex
- 268- Credit accounts attached to companies in the case of a joint stock company
- 269- Remaining payments to be made for non-contributory bonds paid
 - 27- Other financial fixes
 - 271- Proofs other than proving bonds of portfolio activity
 - 272- Bonds representing the right of the creditor debt (bonds and coupons)
 - 274- Loans and credits arising from the lease-finance contract
 - 275- Paid deposits and guarantees
 - 276- Other Accounts Payable Recorded
 - 279- Remaining payments to be made for the bonds fixed not paid
 - 28- Depreciation of installations
 - 280- Depreciation of intangible fixations
- 2803- Depreciation of fixable research and development expenses
- 2804- Depreciation of computer software and the like
- 2805 Depreciation of concessions and similar rights, patents, licenses and marks
- 2807- Depreciation of the acquisition difference (goodwill)
- 2808- Depreciation of other intangible fixations
 - 281- Depreciation of in-kind fixings
- 2812 - Depreciation of land arrangement and preparation works
- 2813- Depreciation of buildings

2815- Depreciation of technical facilities

2818- Depreciation of other in-kind fixes

282- Depreciation of privileged installations

 29- Value losses on fixings

 290- Value losses on intangible fixes

2903- Value losses for fixable research and development expenses

2904- Value losses on computer software and the like

2905 Losses of value on liens, similar rights and patents

 And licenses and marks

2907- Value losses on the purchase difference

2908 Losses of value on other intangible fixes

 291- Value losses on in-kind fixes

2912- Value losses from land arrangement and preparation works

2913- Value losses on constructions

2915- Value losses on technical installations

2918 Losses of value on other in-kind fixes

 292 Losses of value on fixings placed under concession

 293 Value losses on in-progress fixes

296- Value losses on contributions and accounts payable associated with contributions

297- Value losses on other fixed bonds

298- Value losses on other recognized financial assets

Category 3: Inventory accounts and products in progress

- 30- Goods Stock
- 31- Raw materials and supplies
- 32- Other supplies
- 321- Consumables
- 322- Consumable Supplies
- 326- Packaging
- 33- Goods in production
- 331- Products in progress
- 335- Work in progress
- 34- Services in production
- 341- Studies in progress
- 345- Services in progress
- 35- Product Stocks
- 351- Intermediate Products
- 355- Manufactured Products
- 358- Residual products or recovered materials (waste, waste)
- 36- STOCKS FROM FIXATIONS
- 37- Inventories abroad (that are on the way, in the warehouse or in the deposit)
- 38- Stored Purchases
- 380- Goods in stock
- 381- Raw materials and stocked supplies
- 382- Other supplies stored
- 39- Value losses on inventories and products in progress
- 390- Value losses on inventories of goods

- 391- Value losses on raw materials and supplies
- 392- Value losses on other supplies
- 393- Value losses on the production of goods in progress
- 394- Value losses on the production of services being performed
- 395- Value losses on inventories of products
- 397- Value losses on external inventories

Category 4: Accounts of others

- 40- Suppliers and attached accounts
- 401- Suppliers of stocks and services
- 403- Suppliers of Payable Bonds
- 404- Suppliers of installations
- 405- Suppliers of bond fixings to be paid
- 408- Suppliers of invoices that have not been received
- 409- Suppliers Debited: Advances and Payments on the Account RRR
- To be obtained, and other credit accounts
- 41- Clients and attached accounts
- 411- Customers
- 413- Clients and bonds to be collected
- 416- Doubtful Customers
- 417- Accounts payable for works or services in progress
- 418- Customers - products that have not yet been invoiced
- 419- Customers Payable - Advances Received RRR To Be Granted And other assets to be prepared

42- Users and attached accounts

421- Employees - wages owed

422- Funds for social services

423- Employees' contribution to the outcome

425- Users, Advances and Dedicated Installments

426- Users, deposits received

427- Employees - Objections to wages

428- Users - charges to be paid and products to be received

43- Social organizations and attached accounts

431- Social Security

432- Other social organizations

438- Social organizations, burdens to be paid and products required received

44- State, public groups, international bodies and attached accounts

441- State and other public groups, benefits to be received

442- Countries, taxes and fees collectable from third parties

443- Special operations with the state and public groups

444- Countries, Taxes on Outcomes

445- Countries, business number fees

446- International bodies

447- Other taxes, fees and similar payments

448- Countries, charges to be paid and products to be received (out of tax)

45- Compound and Partners

451- Complex Operations

455- Partners, current accounts

456- Operations partners for capital

457- Partners, shares payable

- 458- Partners, operations carried out jointly together or in a pool
- 46- Various creditors and various debtors
- 462- Accounts Payable for Assignments of Fixtures
- 464- Debts for acquisitions of transferable employment values and financial instruments
- Derivative
- 465- Accounts payable for assignments of employment transfer values, and derivative financial instruments
- 467- Other debit or credit accounts
- 468- Other charges to be paid and products to be received
- 47- Transitional or pending accounts
- 48- Charges or pre-inspected products and provisions
- 481- Provisions, current liabilities
- 486- Preview burdens
- 487- Pre-inspected products
- 49- Value losses on third party accounts
- 491- Value losses on customer accounts
- 495- Value losses on the accounts of the association and on the partners
- 496- Value losses on accounts of different receivables
- 498- Value losses on other third party accounts

Class 5 - Financial Accounts

- 50- Transferable values for employment
- 501- Shares in related institutions
- 502- Private Shares
- 503- Other shares or debentures entitled to title
- 506- Short-term bonds, treasury coupons and fund coupons
- 508- Other Transferable Employment Values and Similar Accounts Payable

- 509- Unpaid remaining payments for the transferred employment values
- 51- Banks, financial institutions, and the like
 - 511- Collection values
 - 512- Current account banks
 - 515- Public treasury and public institutions
 - 517- Other Financial Institutions
 - 518- Expected Benefits
 - 519- Current bank contributions
- 52- Derivative financial instruments
 - 53- Box
 - 54- Advance and Credit Agencies
- 541- Promotion agencies
- 542- Credits
 - 55- (available)
 - 56- (available)
 - 57- (available)
- 58- Internal Transfers
 - 581- Money Transfers
 - 588- Other internal transfers
- 59- Value losses on current financial assets
- 591- Value losses for the values deposited in banks and financial institutions
- 594- Value losses on financial agencies for advances and credits.

Category 6 - Accounts of Charges

- 60- Expendable Purchases
- 600- Purchases of sold goods

601- Raw materials

602- Other supplies

603- Changes in Inventories

604- Procurement of studies and services performed

605- Procurement of equipment, supplies and works

607- Unstocked purchases of materials and supplies

608- Affiliate Purchase Expenses

609- Discounts, downloads and discounts obtained on purchases

 61- External services

611- General contracting

613- Rentals

614- Rent and joint ownership burdens

615- Maintenance, repairs, and care

616- Insurance premiums

617- Studies and research

618- Documentation and Updates

619- Downloads, discounts, and discounts obtained from External services

 62- Other external services

621- Employees outside the organization

622- Brokers' fees and charges

623- Advertising, dissemination and public relations

624- Transfer of goods and collective transport of users

625- Transfers, missions and receptions

626- Postage and telecommunications expenses

627- Banking services and the like

628- Subscriptions and updates

629- Discounts, downloads and discounts obtained from Other external services

- 63- Users' burdens
- 631- Users' wages
- 634- Wages of the individual operator
- 635- Paid subscriptions to social organizations
- 636- Social burdens for the individual exploiter
- 637- Other social burdens
- 638- Other user charges
 - 64- Taxes, fees and similar payments
 - 641- Taxes, fees and similar payments on wages
 - 642- Non-refundable taxes and fees for the business number
 - 645- Taxes and other fees (excluding taxes on results)
- 65- Other operational burdens

651- Royalties arising from privileges, patents, licenses and programs Information, rights and similar values

- 652- Value shortcomings on the exit of proven non-financial assets
- 653 - Attendance Fee
- 654- Losses on uncollectible accounts payable
- 655- Premium results for jointly performed operations
- 656- Fines, penalties, subsidies granted, gifts and donations
- 657- Exceptional charges for current management
- 658- Other burdens of current management
 - 66- Financial burdens
 - 661- Interest charges
 - 664- Losses on accounts payable linked to contributions
 - 665- Valuation difference on financial assets - value shortfalls

- 666- Exchange losses
- 667- Net losses on assignment of financial assets
- 668- Other financial burdens
 - 67- Extraordinary items - burdens
 - 68- Provisions for depreciation, provisions and value losses
- 681- Provisions for depreciation, provisions, value losses and non-current assets
- 682- Provisions for depreciation, provisions and commodity value losses privileged
- 685- Provisions for depreciation, provisions and value losses, current assets
- 686- Provisions for depreciation, provisions and value losses, financial elements
 - 69- Taxes on results and the like
- 692- Imposing deferred tax on assets
- 693- Imposition of deferred tax on liabilities
- 695- Taxes on profits based on the results of normal activities
- 698- Other taxes on results

Category 7 - Product Accounts

- 70- Sales of merchandise and manufactured products, services provided and ancillary products
- 700- Sales of merchandise
- 701- Sales of finished products
- 702- Sales of intermediate products
- 703- Sales of the remaining products
- 704- Sales of Works
- 705- Sales Studies
- 706- Providing other services
- 708- Products of ancillary activities
- 709- Discounts, discounts and discounts granted

72- Warehouse production or depleted stock

723- Change in current stocks

724- Change in stocks of products

73- Proven Production

731- Proven production of intangible assets

732- Proven production of in-kind assets

74- Exploitation subsidies

741- Balance allowance

748 Other subsidies for exploitation

75- Other operational products

751- Royalties for franchising, patents, licenses, computer programs, and Similar values

752- Value surpluses on exit of proven non-financial assets

753- Attendance fees and fees for administrators or managers

754- Investment subsidy installments transferred as a result of the fiscal year

755- Result premium for joint operations

756- Income from depreciated accounts payable

757- Exceptional products for management operations

758- Other products of current management

76- Financial products

761- Products of contributions

762- Return on financial assets

763- Proceeds from accounts payable

765- Valuation difference over financial assets, surplus value

766- Exchange Profits

767- Net profit on assignment of financial assets

768- Other financial products

77- Unusual Items - Products

78- Recoveries of value losses and provisions

781- Exploitation recoveries for losses of values and provisions - non-assets

785- Exploitation recoveries for value losses and provisions - current assets

786- Financial refunds for losses of values and provisions

79- (available)

Abstract

This study is about the reality of external auditing in the company, using a case of EURL MIK “Maintenance industrielle kadda”. The case study method was chosen to provide a general image on how the company practices auditing as an example of a private company in Algeria. Inductive approach was adopted in this study by using historical events and tools in the theoretical side and statistical tools in the practical. The Study reveals that the external auditor plays a very big and important role in ensuring that the companies and the company MIK complies with financial reporting and law standards. And as a result the study results will help the financial managers or other students understand what really is external auditing and how the final general report of the external auditor about the company is made.

Keywords: external auditing, company, management, performance, organization, control

Résumé

Cette étude porte sur la réalité de l'audit externe dans l'entreprise, à partir d'un cas de l'EURL MIK « Maintenance industrielle kadda ». La méthode de l'étude de cas a été choisie pour fournir une image générale sur la façon dont l'entreprise pratique l'audit comme exemple d'une entreprise privée en Algérie. L'approche inductive a été adoptée dans cette étude en utilisant des événements et des outils historiques dans le domaine théorique et des outils statistiques dans le domaine pratique. L'étude révèle que l'auditeur externe joue un rôle très important pour s'assurer que les entreprises et l'entreprise se conforment aux normes d'information financière et aux normes légales. Par conséquent, les résultats de l'étude aideront les directeurs financiers ou d'autres étudiants à comprendre ce qu'est réellement l'audit externe et comment le rapport général final de l'auditeur externe sur l'entreprise est rédigé.

Mots clés: audit externe, entreprise, management, performance, organisation, contrôle

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