

Regulation of Accounting Professions in Algeria Under Law No. 10-01

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Abstract:

The shift in Algeria's economic model has led to numerous economic reforms, including in the field of financial accounting. Algeria has made significant efforts to align the financial accounting profession with international accounting standards. To continue these reforms, Algeria has aimed to reorganize and develop the accounting and auditing profession through Law No. 10-01, which governs the professions of Chartered Accountant, Auditor, and Certified Public Accountant.

The need for these various accounting professions in Algeria arises due to the weakness of internal control systems in some institutions, which fail to provide sufficient oversight and support for accounting information systems. To clarify this, this research paper examines how the Algerian legislator has addressed and regulated these accounting professions in Algeria through Law No. 10-01.

Keywords: Financial Accounting, Chartered Accountant, Auditor, Certified Public Accountant.

Introduction

Accounting plays a significant role in the economic institution by recording all financial transactions conducted by the institution, thus providing valuable information for decision-makers both within and outside the organization. However, the historical evolution of Algerian economic institutions has led to advancements in accounting. Since the state moved away from a centrally planned (socialist) economy and adopted a market (capitalist) system, it has implemented economic reforms across several areas, including the reform of the accounting system.

The new reforms in the accounting sector have established a robust professional framework that enhances the accounting profession. These reforms did not solely focus on changing the accounting system but extended to restructuring and regulating the ¹ accounting profession as a whole. This was achieved through the issuance of a series of

legal practices, the most prominent of which is Law No. 10-01, concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant. This law was introduced to address various challenges facing the profession. It has updated some previous laws, introduced new ones, and, most notably, separated the three professions by creating an independent regulatory body for each, all under the supervision of the National Accounting Council, which is, in turn, accountable to the Minister of Finance.

Significance of the Study

This study derives its importance from the vital role of the accounting profession as a tool for economic development. It also highlights the necessity of keeping pace with changes affecting the profession to advance it in alignment with various international economic and professional developments.

Objective of the Study

The objective of this study is to understand the legal and regulatory background of the accounting profession in general and its specific framework in Algeria. This includes a focus on the roles of Auditors, Chartered Accountants, and Certified Public Accountants, as they are among the most important practitioners of the accounting profession in Algeria.

Our choice to focus on the professions of Chartered Accountants, Auditors, and Certified Public Accountants stems from the positive role these professionals play at both state and institutional levels. They provide advice and guidance, detect and correct errors and violations, and oversee the compliance with laws. Based on this, the following research question can be posed:

What is the current state of regulation for the professions of Chartered Accountants, Auditors, and Certified Public Accountants in Algeria under Law No. 10-01?

The research plan is organized around this question and the study's objectives into the following sections:

- **Section One:** Practitioners of Accounting Professions in Algeria
- **Section Two:** Conditions for Practicing Accounting Professions
- **Section Three:** Responsibilities of Chartered Accountants, Certified Public Accountants, and Auditors, and the Penalties Prescribed

Section One: Accounting Profession Practitioners in Algeria

The practitioners of accounting professions in Algeria are represented by Chartered Accountants, Auditors, and Certified Public Accountants. Their main role is to provide an impartial expert opinion on the legality and accuracy of accounting information, acting as vigilant overseers within the institution to prevent any potential issues.

First: The Profession of Auditor

1. Definition of Auditor

According to Article 710 bis 14 of the Algerian Commercial Code, "an auditor is a person who examines the company's ledgers and financial records, ensuring the regularity and accuracy of the company's accounts. The auditor also verifies the accuracy of the information presented in the board of directors' or managers' report, as appropriate, and in documents sent to parties concerning the company's financial situation and accounts" ².

According to Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, Article 22 defines an auditor as "any person who regularly practices, in their own name and under their responsibility, the profession of certifying the accuracy, regularity, and compliance of a company's or entity's accounts with applicable legislation" ³

Referring to Law No. 91-08, an auditor is defined as "any person who practices, in their own name and under their responsibility, the profession of organizing, examining, and analyzing accounting and financial records of various types within commercial or civil companies in the cases specified by law, performing these duties on a contractual basis" ⁴.

The previous definitions provide a clear picture of an auditor. From this, we can deduce that an auditor is any person who practices the profession of auditing independently and under their own responsibility, examining and inspecting various annual financial statements with the purpose of certifying the accuracy of the accounting books and ledgers under audit ⁵ and the legality of these accounts. Here, the legality of accounts refers to adherence to applicable rules and laws, and in the absence of such rules and laws, compliance with generally accepted accounting principles is required, culminating in an impartial expert opinion presented in report form.

2. Duties of the Auditor

The law outlines the tasks and functions of the auditor as follows:

- Certifies that the annual accounts are regular, accurate, and fully reflect the results of the operations from the previous year, as well as the financial position and assets of the companies and entities.
- Examines the accuracy of the annual accounts and their consistency with the information in the management report provided by managers to shareholders, partners, or stakeholders.

- Provides an opinion in the form of a special report on the internal control procedures approved by the board of directors or managers.
- Assesses the terms of agreements between the company under audit and related entities or between entities in which the company's administrators or managers have direct or indirect interests.
- Informs managers, the general assembly, or the competent deliberative body of any deficiency discovered or observed that may hinder the continuity of the institution or entity's operations.⁶
- Declares any illegal acts encountered during the audit as a means of protecting the interests of shareholders, employees, and business partners of the concerned institution, and, as an assistant to justice, conducts the investigation and informs the public prosecutor promptly⁷.
- When the company or entity prepares consolidated or supported accounts, the auditor certifies the regularity and accuracy of the consolidated or supported accounts based on the accounting documents and reports of the auditors of subsidiaries or entities under the same decision center ⁸.

The auditor's duties result in the preparation of the following reports:

- A certification report, with or without reservations, on the regularity, accuracy, and true reflection of the annual documents, or a justified refusal to certify, if applicable.
- A certification report on the supported or consolidated accounts, if applicable.
- A special report on regulated agreements.
- A special report on the details of the top five compensations.
- A special report on special benefits granted to employees.
- A special report on the performance over the past five years and results per share or stake.
- A special report in case of any observed potential threat to business continuity.
- A special report on internal control procedures⁹.

There are specific tasks performed by the auditor, including:

- Examining shareholders' contributions;
- Informing the ordinary general assembly in case of irregularities or inaccuracies in the accounts;
- Conducting investigations deemed appropriate¹⁰;

- Verifying that net assets are at least equal to the company's capital in cases of business transformation;
- Calling an ordinary general assembly of shareholders to meet if the board of directors fails to do so;
- Intervening in cases of changes to the company's capital, cancellation of privileges, subscription in the event of a capital increase, and amendments to the reasons and terms for capital changes;
- Limited and situational duties in account auditing;
- Performing specific tasks in auditing the accounts of subsidiaries or affiliated companies.¹¹

According to the Commercial Code, the duties of the auditor are limited to overseeing management activities, reviewing company accounts and ledgers, and verifying their compliance.

Second: Chartered Accountant

1. Definition of Chartered Accountant

Article 18 of Law No. 10-01 stipulates that a chartered accountant is any person who regularly practices, in their own name and under their responsibility, the tasks of organizing, examining, assessing, and analyzing accounting and various types of accounts for institutions and entities in cases specified by law, and is contractually assigned for accounting expertise.¹²

2. Duties of the Chartered Accountant

- Organizing, examining, assessing, and analyzing accounting and various types of accounts for institutions and entities in cases specified by law;
- Maintaining, opening, adjusting, monitoring, and consolidating accounts for institutions and entities with which there is no employment contract;
- Conducting financial and accounting audits for companies and entities, being the only qualified person for this role;
- Providing advice to companies and entities in the financial, social, and economic fields;
- Informing contracting parties of the impact of their obligations, administrative actions, and management practices related to the accountant's field.¹³

Third: Certified Public Accountant

The profession of the Certified Public Accountant is considered a cornerstone in the accounting field within the framework of a market economy. The Certified Public Accountant acts as the principal organizer in economic institutions and private sector companies.

1. Definition of Certified Public Accountant

Article 41 of Law No. 10-01, concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, defines the Certified Public Accountant as "a professional who regularly practices, in their own name and under their responsibility, the tasks of maintaining and adjusting the accounts and ledgers of merchants, companies, or entities that request their services."

2. Duties of the Certified Public Accountant

- Opening, maintaining, and adjusting accounts and ledgers;
- Presenting accounting entries and the development of the assets of the merchant, company, or entity that has assigned them accounting duties, based on the accounting documents and statements provided and under their responsibility;
- Preparing all social, tax, and administrative declarations related to the accounting duties assigned;
- Assisting their client with various relevant administrative departments;
- The client may request the Certified Public Accountant to prepare financial statements¹⁴.

Section Two: Conditions for Practicing Accounting Professions in Algeria

1. Conditions for Practicing Accounting Professions

The Chartered Accountant, Auditor, and Certified Public Accountant are recognized as practitioners of the accounting profession under Law No. 10-01, which specifies the conditions for entering the profession.

Article 08 of Law No. 10-01 outlines the requirements for practicing accounting professions as follows:

- Must be of Algerian nationality;
- Must hold a certification to practice the profession as follows:
 - a. For the Chartered Accountant profession: must hold the Algerian Chartered Accountancy Certificate or an equivalent recognized qualification;

- b. For the Auditor profession: must hold the Algerian Accounting Certificate or a certificate that qualifies them to practice the profession;
- Must enjoy full civil and political rights;
 - Must not have been convicted of any offense or misdemeanor that discredits the honor of the profession;
 - Must be accredited by the Minister of Finance and registered with the National Association of Chartered Accountants, the National Chamber of Auditors, or the National Organization of Certified Public Accountants according to the conditions specified by law;
 - Must take an oath after accreditation and before registration with the National Association, National Chamber, or National Organization in the regionally competent court where their office is located, reciting the following words: "I swear by Almighty God to perform my duties to the best of my ability. I pledge to faithfully fulfill my function, to maintain professional confidentiality, and to conduct myself as an honorable, professional manager. And God is my witness."

The certificates that grant the right to practice the profession are as follows:

- **Holders of one of the following educational certificates or an equivalent foreign certificate:**
 - ✓ Bachelor's degree in Financial Sciences; Parts I and II of the initial Chartered Accountancy exam; Higher Studies in Accounting Certificate; Bachelor's in Commercial Sciences with a specialization in Finance and Accounting; Bachelor's in Commercial Sciences with a specialization in Accounting; Bachelor's in Management Sciences with a specialization in Accounting; Bachelor's in Commercial Sciences with a specialization in Finance; Bachelor's in Management Sciences with a specialization in Accounting.
 - ✓ **In addition to the above**, the individual must either:
 - Complete a two-year professional internship as a Chartered Accountant, after which they receive a certificate of completion of the legal internship; or
 - Demonstrate ten years of experience in the field of financial accounting and undergo a six-month professional internship.
- **Holders of one of the following higher education certificates:**
 - ✓ Certificate from the Higher School of Commerce (in fields other than Finance and Accounting), National School of Administration certificate (specializations in Audit, Control, Economics, or Finance), Bachelor's in Economic Sciences, Bachelor's in Management, certificate from the National Higher School of Administration and Management, certificate from the National Institute of Finance

(specializations in Treasury or Taxation), certificate from the Institute of Customs and Financial Economics in Algeria, certificate from the Arab Institute of Finance and Development in Tunisia, or a certificate from the University of Continuing Education in Finance and Accounting.

✓ **Additionally, they must hold one of the following professional certificates:**

- Higher Technician Certificate in Accounting
- Advanced Certificate in Accounting Studies
- Full Professional Certificate in Accounting
- Technical Baccalaureate in Accounting
- Mastery Certificate in Accounting

✓ **Additionally, they must either:**

- Complete a two-year professional internship in the office of a Chartered Accountant or Auditor;
- Or have ten years of experience in the accounting and financial field, along with a six-month professional internship.

It can be said that the qualification standard in Algeria involves a certain level of accounting knowledge and related expertise, followed by a written exam after the practical internship and a specified period of professional experience.¹⁵

2. Cases of Incompatibility

The law specifies cases of incompatibility to ensure that Chartered Accountants, Auditors, and Certified Public Accountants can practice with full intellectual and ethical independence, as outlined in Article 64 of Law No. 10-01. These cases are:

1. Any commercial activity;
2. Any paid employment, except for teaching and research roles in accounting on a contractual or supplementary basis;
3. Any administrative position or membership in the supervisory board of commercial enterprises;
4. Simultaneously holding the roles of Chartered Accountant, Auditor, and Certified Public Accountant for the same entity;
5. Any parliamentary or elected mandate in the executive body of local elected councils;
6. Performing any duties in entities in which they have direct interests;

7. Directly or indirectly soliciting clients to request tasks or functions within their legal expertise;
8. Seeking clients by offering fee reductions, compensations, privileges, or any form of advertising.¹⁶

Article 65 of the same law prohibits the auditor from:

1. Professionally auditing the accounts of a company in which they directly or indirectly hold shares;
2. Engaging in management activities, either directly or indirectly, by participation or on behalf of managers;
3. Accepting, even temporarily, prior control duties over management activities;
4. Accepting organizational duties in the accounting of the audited institution or entity or supervising it;
5. Serving as a tax advisor or judicial expert for a company or entity whose accounts they audit;
6. Holding a paid position in the company or entity they audited within less than three years after the end of their term;
7. Extending these incompatibility and prohibition cases to members of audit firms;
8. Adding the incompatibilities and prohibitions outlined in Article 715 bis 06 of the Commercial Code¹⁷.

Section Three: Responsibility of the Chartered Accountant, Auditor, and Certified Public Accountant, and Applicable Penalties

3. Responsibility of the Certified Public Accountant, Chartered Accountant, and Auditor

- The auditor, while performing their duties, holds civil liability towards their clients within the contractual limits;
- Auditors are liable to the company and third parties for damages resulting from errors or negligence committed during their professional duties¹⁸;
- The Chartered Accountant, Auditor, and Certified Public Accountant bear criminal liability for any failure to fulfill a legal obligation;
- The Chartered Accountant, Auditor, and Certified Public Accountant are subject to disciplinary responsibility, even if they resign from their duties, before the disciplinary committee of the National Accounting Council for any technical or ethical misconduct in the practice of their profession. The disciplinary penalties that may be imposed, in ascending order of severity, are:

- Warning
- Reprimand
- Temporary suspension for a maximum period of six (6) months
- Removal from the register¹⁹.

It is observed that the enforcement of both criminal and disciplinary responsibility aims to punish the auditor for wrongful conduct through imprisonment, financial fines, and disciplinary sanctions. However, the enforcement of civil liability aims to compensate for the harm caused to others. This distinction among responsibilities does not preclude one from another, as the auditor may simultaneously bear all three types of responsibility for a particular act²⁰.

4. Prescribed Penalties

Anyone practicing as a Chartered Accountant, Auditor, or Certified Public Accountant without proper authorization is subject to a fine ranging from 500,000 DZD to 2,000,000 DZD. In case of repeat offenses, the violator faces imprisonment from six (6) months to one year and a doubled fine.

Conclusion:

It is evident from the above that Algeria has strived since independence to develop its legislative framework in the field of accounting, issuing a series of laws regulating this profession in stages, in line with the evolution of its economic institutions. Based on the points discussed in this scientific research paper, which seeks to define the current state of regulation for the professions of Chartered Accountant, Auditor, and Certified Public Accountant, we can list the main findings and recommendations reached:

Findings:

- Law No. 10-01 has emphasized the training of Chartered Accountants, Auditors, and Certified Public Accountants.
- Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant does not differ significantly from Law No. 91-08, except for the composition of the National Accounting Council, the National Association of Chartered Accountants, the National Chamber of Auditors, and the National Organization of Certified Public Accountants.
- Law No. 10-01 provides a stable framework that has modernized the practice of accounting. This law serves as the foundation for regulating the profession in Algeria, addressing all aspects of the profession, including the conditions for practicing, the responsibilities of practitioners, activities incompatible with the profession, and applicable penalties.

Recommendations

- The study of accounting professions in Algeria indicates that these professions require further development to meet current professional challenges.
- Enforce and support Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant by issuing supplementary decrees for this law and drafting new legal texts to align with international standards for the profession.
- Establish specialized institutes and centers in accounting to train interns and enhance both academic and practical qualifications.
- Conduct additional training sessions for practitioners to acquire new skills.
- Form agreements with foreign countries to exchange expertise and gain additional knowledge.
- Algeria should engage with international professional organizations in the field of accounting and actively participate in those organizations.
- Connect university institutions and their expertise with the bodies responsible for regulating this profession.

References

1. Laws

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- Law No. 10-01 dated June 29, 2010, concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, O.G. No. 42, dated June 11, 2010, p. 04.
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2. Articles

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¹ The reforms undertaken by Algeria to modernize its accounting system involved adopting standards related to disclosure in financial reports and international accounting standards (IAS-IFRS) to ensure the enhancement of its accounting and financial systems in alignment with these standards.

Jalila Zouhri, "The Impact of Accounting and Financial Reforms on the Auditing Profession in Algeria," *Economic Researcher Journal*, Issue 04, December 2015, p. 65.

² Article 710 bis 14 of Ordinance No. 75-59, including the Commercial Code, O.G. No. 101, dated December 19, 1975, p. 1306.

³ Article 22 of Law No. 10-01 dated June 29, 2010, concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, O.G. No. 42, dated June 11, 2010, p. 04.

⁴ Law No. 91-08 dated April 27, 1991, concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, O.G. No. 20, dated May 1, 1991, p. 651. (Repealed by the provisions of Law No. 10-01)

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⁶ Article 23 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

⁷ Azza El-Azhari, "The Legal Organization of the Auditing Profession in Algeria: Between Challenges and Ambitions," *Algerian Journal of Economic Development*, Issue 05, 2018, p. 06.

⁸ Article 24 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

⁹ Article 25 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

¹⁰ Azza El-Azhari, "The Legal Organization of the Auditing Profession in Algeria: Between Challenges and Ambitions," *Algerian Journal of Economic Development*, Issue 05, 2018, p. 05.

¹¹ Article 25 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

¹² Article 18 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

¹³ Articles 18, 19, and 20 of the same law.

¹⁴ Articles 41, 42, 43, and 44 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

¹⁵ Hassina Trich, "The Extent of Compatibility of the Legal and Regulatory Framework for the External Auditing Profession in Algeria with International Auditing Standards: An Analytical Study," *Bouadekes Journal*, Issue No. 09, June 2018, p. 222.

¹⁶ Azza El-Azhari, "The Reality of the Auditing Profession in Algeria," *Journal of Economic and Financial Studies*, University of El Oued, Issue 05, 2012, p. 34.

¹⁷ Article 715 bis 06 of the Commercial Code states:

"It is prohibited to appoint an auditor in a joint-stock company if:

1. They are relatives or in-laws up to the fourth degree of the company's administrators, members of the board of managers, or supervisory board members;
2. They are administrators, members of the board of managers, or supervisory board members of companies holding one-tenth (1/10) of the company's capital, or if the company itself holds one-tenth (1/10) of that company's capital;
3. They are spouses of individuals who, due to their regular activities, receive wages or salaries from either the administrators or members of the board of managers or supervisory board;
4. They are individuals who received wages for non-audit functions from the company within five years from the end of their term;
5. They were administrators, members of the supervisory board, or members of the board of managers within five years from the end of their term."

¹⁸ Article 715 bis 14 of Ordinance No. 75-59, as previously mentioned.

¹⁹ Article 63 of Law No. 10-01 concerning the professions of Chartered Accountant, Auditor, and Certified Public Accountant, as previously mentioned.

²⁰ Omar Cherifi, "Responsibilities of the Auditor: A Comparative Study between Algeria, Tunisia, and Morocco," *Journal of Economic Sciences and Management Sciences*, Issue 12, 2012, p. 99.