
The Statutory Auditor in Joint-Stock Companies: Role, Mission, and Legal Framework

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Received: 22/01/2026

Accepted: 28/03/2026

Published: 31/05/2026

Abstract:

The Statutory Auditor plays a crucial role in strengthening transparency and credibility in Joint-Stock Companies. As a regulated profession, the Statutory Auditor performs his mission independently and objectively to ensure the reliability of financial information published by Companies.

The objective of this study is to analyze the role, missions, and legal framework governing Statutory Auditors in Joint-Stock Companies and to highlight their contribution to protecting Stakeholders' interests and improving Corporate Governance.

The study adopts a descriptive and analytical approach based on the analysis of Algerian legal texts, particularly the Commercial Code and the regulations governing the Auditing profession.

The results show that the Statutory Auditor contributes significantly to ensuring the reliability of financial statements, strengthening internal control, and detecting irregularities and financial fraud. However, the effectiveness of this role depends largely on the independence, professional competence, and diligence of the Auditor.

The study concludes that strengthening the legal and professional framework of Statutory Auditing can significantly improve transparency and financial reporting quality in companies.

Keywords: Statutory Auditor, Joint-Stock Companies, Financial Reporting, Corporate Governance, Audit Responsibility.

Jel Classification Codes : M42, M48.

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Introduction:

It is undeniable that the experience of the Autonomy of the National Companies, which became Economic Public Enterprises (EPE) following the 1988 laws (No. 88-01, 88-02 & 88-04), has brought the Auditing Profession out of its rut and restored a real dimension to the external control necessary in Commercial Companies.

Although in some areas the role of Statutory Auditors is misunderstood, most leaders of EPEs appreciate it at its true value and recognize its enormous benefits.

Representatives of the owners of Public Enterprises (or shareholders) even tend to rely entirely on Statutory Auditors to ensure oversight over them.

The tasks of a Statutory Auditor are structured around Three Legal Obligations :

- The obligation to check the regularity, sincerity, and faithful representation of the annual accounts ;
- The obligation to ensure compliance with legal and regulatory provisions governing the life of the Audited Company ;
- The obligation to communicate their opinion and findings to the Organs of the Audited Company (Managers and Shareholders) and, in some cases, to the Competent Authorities (notably judicial).

To achieve these objectives, the Statutory Auditor must review and assess a large amount of very important and diverse information within a short period of time.

This article is intended for Accounting or Audit specialists, as well as business managers. Our reflection revolves around the following question :

What is the role of the Statutory Auditor in Joint-Stock Companies and what are the missions entrusted to Him by the Algerian legislator ?

This question is segmented into several secondary questions, namely:

What are the minimum diligences required in accepting the mandate and starting work as a Statutory Auditor?

- What reports must be prepared by the Statutory Auditor, what should they contain, and what are the methods of transmission?
- What are the minimum diligences required of the Statutory Auditors in terms of revealing criminal acts?

→ What are the different responsibilities of the Statutory Auditor?

Through this Paper, we will present the Main aspects of the Statutory Auditor's mission as defined by the law and as practice has eventually established.

Previous Studies :

The role of Auditing in enhancing the credibility of financial reporting and strengthening corporate governance has been examined in accounting and auditing literature. Several academic studies and professional publications have emphasized the importance of external Auditing in ensuring transparency and protecting stakeholders' interests.

According to **Alvin A. Arens, Randal J. Elder, and Mark S. Beasley** in their book *Auditing and Assurance Services: An Integrated Approach*, auditing plays a fundamental role in increasing the credibility of financial statements. The authors explain that the primary objective of Auditing is to provide reasonable assurance that financial statements are free from material misstatement, whether caused by fraud or error. By performing this role, auditors help reduce information asymmetry between company management and external stakeholders such as investors and creditors (Alvin A. Arens, 2017, P:16).

Similarly, **Rick Hayes, Philip Wallage, and Hans Gortemaker**, in their work *Principles of Auditing : An Introduction to International Standards on Auditing*, highlight the importance of auditing in supporting corporate governance mechanisms. The authors indicate that the external auditor contributes to improving the reliability of financial reporting by verifying the compliance of financial statements with applicable accounting standards and auditing standards. In this context, auditing enhances the confidence of stakeholders in the financial information published by companies (Rick Hayes, 2014, P:45).

From an international perspective, **Bahram Soltani** in his book *Auditing : An International Approach* emphasizes that auditing constitutes a key mechanism for strengthening transparency and accountability in modern corporations. The author argues that effective auditing practices can significantly reduce financial manipulation and enhance the quality of financial disclosure. Moreover, the presence of an independent auditor is considered an essential component of corporate governance systems, as it helps ensure that financial information presented by management reflects the true financial position of the company (Soltani, 2007, P:103).

Despite the extensive literature addressing the importance of Auditing in financial reporting and corporate governance, limited research has focused specifically on the legal and professional framework

governing Statutory Auditors in the Algerian context. Therefore, this study aims to contribute to the existing literature by analyzing the role and responsibilities of Statutory Auditors in joint-stock companies and examining their contribution to enhancing transparency and reliability in financial reporting.

I. PROVISIONS OF THE COMMERCIAL CODE ON THE ROLE AND MISSION OF STATUTORY AUDITORS

Content of the Statutory Auditors' Mission (JORADP n° 42, 2010, P:06)

Article 22 of Law No. 10-01 stipulates: "the Statutory Auditor, for the purposes of this law, is any person who, in their own name and under their own responsibility, has the regular mission of certifying the sincerity, regularity, and true and fair view of the accounts of companies and organizations, in accordance with the provisions of the applicable legislation."

More precisely, Article 715 bis 4 of the Commercial Code states: "They have the permanent mission, excluding any interference in management, to verify the company's books and values and to control the regularity and sincerity of the company accounts." "They also verify the sincerity of the information provided in the report of the Board of Directors or Executive Board, as the case may be, and in the documents sent to Shareholders regarding the Company's financial situation and accounts." "They certify the regularity and sincerity of the inventory of the Company accounts and the balance sheet." "They ensure that equality has been respected among Shareholders." "They may, at any time of the year, carry out the checks or controls they deem appropriate." "They may also convene the General Assembly in case of Emergency."

Mission of the Statutory Auditor with Respect to the Board of Directors

According to Article 715 bis 10, "The Statutory Auditors inform the Board of Directors or the Executive Board and the Supervisory Board, as the case may be, of (Code de Commerce, 2010, P: 192):

1. The checks and verifications they have carried out and the various surveys they have conducted;
2. The items in the Balance Sheet and other accounting documents to which they believe modifications should be made, providing any useful observations on the valuation methods used for preparing these documents;
3. The irregularities and inaccuracies they have discovered;
4. The conclusions resulting from the above observations and corrections or the results of the financial year compared to those of the previous year."

Missions of the Statutory Auditor with Respect to the General Assembly

According to Article 715 bis 13 of the Commercial Code (Code de Commerce, 2010, P:195) :

"The Statutory Auditors report to the Next General Assembly any irregularities and inaccuracies they have identified during the performance of their duties."

"Furthermore, they report any criminal Acts they have become aware of to the Public Prosecutor."

" Statutory Auditors are bound by professional secrecy."

These obligations of the Statutory Auditor will be discussed further.

Powers and Responsibilities of Statutory Auditors (Code de Commerce, 2010, P:192)

The provisions of the Commercial Code, specifically Article 715 bis 11, define these responsibilities as follows: "The Statutory Auditor may request explanations from the Chairman of the Board of Directors or the Executive Board, who is required to respond to any issues that might jeopardize the continuity of operations identified during the performance of their duties."

"If there is no response or if the response is unsatisfactory, the Auditor invites the Chairman or the Executive Board to have the Board of Directors or the Supervisory Board deliberate on the issues raised; the Statutory Auditor is summoned to this meeting."

"In the event of non-compliance or if, despite the decisions taken, the Statutory Auditor finds that the continuity of operations remains compromised, the Statutory Auditor prepares a special report to be presented at the next General Assembly or, in urgent cases, at an Extraordinary General Assembly which they convene themselves to submit their conclusions."

Appointment and Dismissal of Statutory Auditors (Code de Commerce, 2010, P:189-190)

According to Article 715 bis 4, the Ordinary General Assembly of Shareholders appoints one or more Auditors for three (3) fiscal years from among professionals registered with the National Chamber of Statutory Auditors.

"Their term expires after the meeting of the Ordinary General Assembly that approves the accounts for the third fiscal year."

"When, upon the expiration of an Auditor's term, it is proposed not to renew their appointment, the Statutory Auditor must be heard by the General Assembly."

"The Auditor appointed by the Assembly to replace another remains in office only until the expiration of their predecessor's term."

In the event of misconduct or inability, Statutory Auditors may be removed from their duties before the

normal expiration of their term by the competent jurisdiction at the request of the Board of Directors, the Executive Board, one or more Shareholders representing at least one-tenth (1/10) of the Share Capital, or the General Assembly.

Minimum Diligences in Accepting a Mandate and Starting Work

Before accepting a mandate, the Statutory Auditor must undertake the following diligences:

- ❖ Ensure that they do not fall under any legal or regulatory incompatibilities and prohibitions (Article 715 bis 06 of the Commercial Code and Articles 64 to 68 of Law 10-01).

A - According to the provisions of Article 715 bis 06. The following individuals cannot be Statutory Auditors of a Joint-Stock Company: (Code Comptable , 2011, P:190-191)

1. **Relatives and in-laws up to the fourth degree inclusively** of the company's directors, members of the executive board, and the supervisory board;
2. **Directors, members of the executive board or supervisory board, and spouses of directors**, as well as members of the executive board or supervisory board of companies holding one-tenth (1/10) of the capital of the company or of which the company holds one-tenth (1/10) of the capital;
3. **Spouses of individuals who receive a salary or remuneration** from directors or members of the executive board or supervisory board due to a permanent activity other than that of auditor;
4. **Individuals who have received remuneration from the company** for functions other than those of an auditor within five (5) years from the cessation of their functions;
5. **Individuals who have served as directors, members of the supervisory board, or executive board** within five (5) years from the cessation of their functions.

B - According to the provisions of Law 10-01, particularly Articles 64 to 68: (JORADP n° 42, 2010, P:09-10)

To ensure the exercise of the auditing profession with full intellectual and moral independence, the following are incompatible with the profession under this law:

- Any commercial activity, particularly as an intermediary or agent for commercial and professional transactions;
- Any salaried employment involving a legal subordination relationship;
- Any mandate as a director or member of the supervisory board of commercial companies as defined by the Commercial Code;
- The combined practice of accounting and auditing with the same company or organization;

- Any parliamentary mandate;
- Any elective mandate within the executive body of elected local assemblies;
- A professional elected to a parliamentary mandate or to the executive body of an elected local assembly must inform their order of membership within one (1) month from the start of their mandate. They will be replaced by a professional tasked with handling ongoing matters.
- Teaching and research in accounting, conducted contractually and complementarily, in accordance with current legislation, are not incompatible with the profession of auditor.
- The Statutory Auditor is prohibited from:
 - Professionally auditing the accounts of companies in which they hold, directly or indirectly, interests;
 - Performing management acts, either directly or through association or substitution for the management;
 - Accepting, even temporarily, assignments for prior control of management acts;
 - Accepting assignments for organizing or supervising the accounting of the audited company or organization;
 - Acting as a tax advisor or providing judicial expertise for a company or organization whose accounts they audit;
 - Holding a salaried position in the company or organization they audited less than three years after the end of their mandate.
- In addition to the cases of incompatibility and prohibition mentioned in Article 715 bis 6 of the Commercial Code, individuals or entities that have received salaries, fees, or other benefits, including loans, advances, or guarantees, from the company or organization in the last three (3) years cannot be appointed as auditors for the same company or organization.
- The Statutory Auditor is prohibited from performing any assignments for companies in which they hold, even indirectly, interests.
- When a company or organization appoints two or more Auditors, they must not be under a common authority, be linked by any interest, or belong to the same audit firm.

Additional Requirements

- ❖ Request the updated list of Directors or Members of the Executive Board and Supervisory Board of the company.

- ❖ Ensure that the available capacity of their firm allows them to undertake and execute the mandate properly.

While respecting the content of the Algerian Auditing Standard NAA 210, which pertains to "Agreement on the Terms of Audit Engagements," approved on February 6, 2016, by Decision No. 02 of the Minister of Finance.

This Standard (NAA 210) defines the content of the engagement letter, including: (Décision n°002 Ministère de Finances, 2016, P:06)

- The nature and scope of the interventions the Auditor intends to carry out in accordance with professional standards;
- How the conclusions from the interventions will be communicated to the Governing Bodies;
- The provisions regarding the signatories, participants, and timetable;
- The need for unrestricted access to all accounting documents, supporting evidence, or other information requested in the course of the interventions;
- A reminder of the information and documents that the individual or entity must provide or make available;
- The wish to receive written confirmation from the Governing Bodies of the individual or entity concerning the statements made to the Auditor related to their mission;
- The fee budget and billing conditions.

Minimum Formalities for the Company or When the Auditor is Appointed

The company must:

- Inform the National Chamber of Statutory Auditors of the appointment within 15 days by registered letter with acknowledgment of receipt.
- Publish the appointment or renewal of the mandate in a legal announcements journal.

Statutory Auditor's Obligations Regarding the Organization of the Mission (Belaiboud, 1990, P: 65)

The Statutory Auditor must:

- Define the program of their interventions with a schedule of activities.
- Determine the budget and time required for each type of work.
- Establish the main areas of control work:
 - Documents to be obtained
 - Assessment of the company's organization and its internal control procedures

- Dates for physical inventories
- External confirmations to obtain, situations to be obtained (NAA 505)
- Specific interventions and controls
- List the participants
- Plan the deadlines for issuing reports:
 - Report on internal control
 - Report on the certification of accounts
 - Specific reports

I. CONTENT OF THE AUDITOR'S REPORTS ACCORDING TO LAW NO. 10-01 AND THEIR METHODS OF TRANSMISSION

The Statutory Auditor's missions result in the preparation of reports defined by Article 25 of Law 10-01, and specified by the provisions of Executive Decree 11-202 of May 26, 2011, which sets the standards for auditor reports, the methods and deadlines for their transmission to the General Assembly or the authorized deliberative body, as well as to the relevant third parties. These standards specifically relate to:

- The standard on the certification with or without reservations of the regularity, sincerity, and true and fair view of the annual documents, or, if applicable, a duly justified refusal of certification;
- The standard on the certification of consolidated and combined accounts;
- The standard on regulated agreements;
- The standard on the details of the five (5) highest remunerations;
- The standard on specific benefits granted to employees;
- The standard on the evolution of results over the last five fiscal years and the results per share or equity;
- The standard on internal control procedures;
- The standard on the continuity of operations;
- The standard related to the holding of shares as collateral;
- The standard related to capital increase operations;
- The standard related to capital reduction operations;
- The standard related to the issuance of other securities;
- The standard related to the distribution of dividend advances;
- The standard related to the transformation of joint-stock companies;

- The standard related to subsidiaries, investments, and controlled companies.

The content of each of these standards is set by the Minister of Finance's Order of June 24, 2013. Additionally, the Minister of Finance's Order of January 12, 2014, specifies the methods for transmitting the auditor's reports.

Accordingly, the reports required by the Order of June 24, 2013, must be submitted by the auditor at least fifteen (15) days before the date of the general Assembly or extraordinary Assembly (Meeting) or the authorized deliberative body, at the registered office of the controlled entities, with an acknowledgment of receipt.

Furthermore, the various documents necessary for the preparation of the Auditor's reports must be made available to the Auditor at least forty-five (45) days before the date of the General Assembly or the authorized deliberative Body.

1. Main Documents and Reports Prepared by Auditors

Article 23 of Law 10-01 of June 29, 2010, assigns the following missions to the Statutory Auditor:

- Certify that the annual accounts are regular and sincere and that they provide a true and fair view of the results of the past year's operations as well as the financial position and assets of the companies and entities;
- Verify the accuracy and consistency of the information provided in the management report given by the Directors to the Shareholders, partners, or unit holders;
- Provide an opinion in the form of a special report on the internal control procedures adopted by the Board of Directors, the Executive Board, or the Manager;
- Assess the conditions for concluding agreements between the controlled Company and affiliated Companies or Entities, or with Companies and Entities where Directors and Managers have a direct or indirect interest;
- Report to the directors and the General Assembly or the authorized deliberative body any deficiencies that could compromise the continuity of the company or entity's operations, which the auditor has become aware of;
- Verify the values and documents of the company or entity and ensure that the accounting complies with current regulations without interfering in management;

- Certify, if applicable, the accuracy, regularity, and true and fair view of consolidated or combined accounts, based on the accounting documents and the reports of the auditors of subsidiaries or entities attached by the same decision-making center.

These same Missions are, with some differences, also provided for by the Commercial Code.

These missions must be concluded with a certain formality required by legislation to materialize the Auditor's opinion. This formality is manifested through the preparation and presentation by the Statutory Auditor of the following reports: (JORADP N°30, DECRET EXECUTIF 11-202 DU 26/05/2011, P:18)

- Certification report with or without reservations on the regularity, sincerity, and true and fair view of the annual documents, or, if applicable, a duly motivated refusal of certification;
- Possibly a certification report on consolidated or combined accounts;
- Special report on regulated agreements;
- Special report on the details of the five highest remunerations;
- Special report on the specific benefits granted to employees;
- Special report on the evolution of results over the last five fiscal years and the result per share or equity;
- Special report on internal control procedures;
- Special report: when a threat to the continuity of operations is observed.

The ongoing nature of the auditor's mission requires the maintenance of a work file that is necessary, if not indispensable, for the completion of their duties. The Quality Control Commission of the National Accounting Council (Ministry of Finance) has published the standard work file for the auditor, as follows:

- Permanent file : General;
- Permanent file : Organization;
- Annual review file:
 - Organization and procedure;
 - Control of Accounts;
- Auditor's file.

Maintaining these Files allows the Statutory Auditor, among other things, to:

- Structure their control approach and ensure the collection of all necessary elements to formulate a reasoned opinion on the annual accounts under review;

- Continuously have a set of durable information about the controlled company throughout the term of the mandate and, if applicable, during its renewal;
- Retain and provide, if needed, proof of the work performed, diligence, and resources used to arrive at an opinion on the degree of regularity;
- Comply with Accepted Professional Standards both Nationally and Internationally;
- Supervise the work performed by Collaborators.

2. Communication to the Board of Directors (N. SAADI, 1993, P:38)

- Article 715 bis 12 of the Commercial Code stipulates that the Auditor must be invited to the meeting of the Board of Directors or Supervisory Board that approves the accounts for the fiscal year.
- This attendance at the Board should enable the Auditor to communicate, among other things, the diligences they have implemented, the anomalies detected in both internal control and the accounts, and the amendments needed to the accounting documents before they are presented to the shareholders.
- Although the law does not specify the form of this communication, written form should be preferred over oral communication, primarily to maintain a written record of the Auditor's diligences.
- In the case of multiple Auditors, they may prepare a communication report collectively or individually in letter form.
- This communication should at least cover the following aspects of the mission:
 - a) The diligences implemented: steps and techniques used, resources employed, etc.
 - b) The weaknesses identified in internal control by the auditor
 - c) The accounts or items in the financial statements that require modifications
 - d) Observations on the valuation methods used and the presentation of financial statements within the company
 - e) Irregularities and inaccuracies discovered
 - f) Difficulties and constraints encountered in performing the mission
 - g) Conclusions drawn from the above observations, including their impact on the result

- The Auditor must not refrain from reporting irregularities and inaccuracies found in the general certification report on the grounds that the Board of Directors or Supervisory Board has been duly informed.
- The Auditor also has full discretion to communicate, throughout the mission and at all times, in any form they deem useful given the circumstances, with the management of the controlled company to discuss issues arising in the performance of their mission and the conditions necessary for its proper execution.
- The minutes or letter to the Board that approves the Accounts represents a Summary and culmination of the diligences implemented.

3. The General Certification Report for the Shareholders' General Assembly

- Article 25, § 2 of Law 10-01 states that the Statutory Auditor's Mission results in the preparation of a report that allows for certification with or without reservations and, if applicable, a reasoned refusal of certification of the annual accounts.
- The General Report of the Statutory Auditor must clearly and unequivocally express their opinion on the financial statements as a whole (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and the notes, in accordance with Law 07-11 of 25/11/2007 SCF).
- The General Report must include the following details and information:
 - a) Recap of the appointment method and date of the auditor
 - b) Identification of the company and the fiscal year audited
 - c) Financial documents reviewed, specifying that they are attached to the report with the auditor's stamp
 - d) Compliance with the diligences customary in auditing and details on the nature and extent of the work performed
 - e) Irregularities and inaccuracies identified, clearly and unambiguously reported with their quantified impact on the result
 - f) Confirmation of information provided by the Board of Directors and, if applicable, disagreements of the auditor with additional information they deem necessary
 - g) Reasons for any changes in the forms and methods of valuation and presentation of the financial statements and their impacts on the financial statements

h) The auditor's explicit conclusion, which may be a clean certification, a certification with reservations, or a reasoned refusal of certification

i) Specific obligations of the Statutory Auditor:

- Certification of the five or ten highest remunerations paid during the fiscal year
- Situations that may compromise the continuity of operations
- Any equity stakes taken
- Violations committed by Directors, members of the Executive Board, or any other agents of the controlled company and the procedure for disclosure to the Public Prosecutor – Articles 715 bis 13 and 14 of Legislative Decree No. 93-08 of April 25, 1993, amending and supplementing Ordinance No. 75-59 of September 26, 1975, on the Commercial Code

- Certification is unqualified when the audited financial statements present a very high level of accuracy and truthfulness.
- However, it may be accompanied by observations when these pertain to explanations without affecting the truthfulness of the accounts, intended to inform the shareholders.
- When the relative importance of errors, anomalies, or inaccuracies found does not significantly undermine the accuracy and truthfulness of the annual accounts, the Statutory Auditor provides a qualified opinion. In this type of certification, the Statutory Auditor must be precise and not vague in the formulation and assessment of reservations. They must specify the exact nature and content of the reservations and highlight their impact on the accounts and the results of the fiscal year.
- The Statutory Auditor refuses to certify the annual accounts when they believe that the number and severity of the anomalies and inaccuracies are such that the Financial Statements do not provide all the Guarantees of Accuracy and Truthfulness.

The refusal to Certify also results from:

- ✓ The existence of insurmountable obstacles to the Auditor's controls.
- ✓ The categorical refusal of management to make significant adjustments to certain accounts or Balance Sheet items or to address serious deficiencies in the accounting system in accordance with the Auditor's observations and recommendations.
- ✓ The refusal to certify must be justified and supported by as much information as possible to allow all shareholders to make informed decisions.

- ✓ In the case of multiple Auditors, a joint report is prepared, indicating, if there is disagreement, the different opinions expressed.

4. Special Report on Regulated Agreements

- A. This Report is required by Article 672 of Legislative Decree No. 93-08 of 25/04/1993, amending and supplementing Ordinance No. 75-59 of 26/09/1975, on the Commercial Code, and addresses regulated agreements defined by Article 628 of the aforementioned Legislative Decree.
- B. The Statutory Auditor must therefore prepare and present a special report on the Authorized Agreements that have come to their knowledge from the Governing Bodies during the fiscal year.
- C. The special report accompanies the general certification report, and both are intended for the General Assembly of shareholders.

This special report contains:

- a) A list of agreements subject to the approval of the General Assembly.
 - b) Identification of the beneficiaries (the names of interested directors or General Managers or members of the management Board or supervisory Board).
 - c) The characteristics and objectives of the agreements.
 - d) The terms of the agreements (including details on prices or rates applied, discounts and commissions granted, payment terms, and stipulated interests).
 - e) An assessment of these concluding terms (Article 23, § 05 of Law 10-01 related to the 03 professions of Accountancy).
- Before preparing the Special Report, the Auditor ensures that there are no agreements beyond those they have been informed of, by reviewing the minutes of the Board, loan accounts, current accounts, etc.
 - When the Auditor discovers an unauthorized agreement during their mission, they must report this irregularity in their General Certification Report on the Annual Accounts.
 - The Auditor must prepare their special report indicating the absence of agreements.

III. MINIMUM DILIGENCES OF AUDITORS REGARDING THE DISCLOSURE OF ILLEGAL ACTS

1. Recommendation No. 4 on professional diligence outlines the minimum procedures required for implementing the provisions of Articles 715 bis 13 and 715 bis 14 of Legislative Decree No. 93-08, which amends and supplements Ordinance No. 75-59 in the Commercial Code. These

provisions mandate that auditors report any illegal acts discovered during the performance of their Missions to the Attorney General.

2. This legal requirement further solidifies the auditor's role as a "Judicial Assistant," enhancing their authority. In addition, auditors are obligated to report irregularities and inaccuracies to the General Assembly (as per Article 715 bis 10 of Legislative Decree No. 93-08), with the intention of safeguarding the interests of shareholders, employees, and third parties connected to the company. This mission also serves a preventive function, encouraging transparency and effective management of corporate operations.
3. By adhering to these guidelines, auditors facilitate the Attorney General's evaluation of the facts, enabling them to take appropriate legal action. Failure to report illegal acts of which the auditor becomes aware during their duties can result in imprisonment of one to five years and a fine of between 20,000 and 500,000 DZD (Article 830 of the amended and supplemented Commercial Code).
4. This penalty is separate from those imposed on the perpetrators of the illegal acts. Moreover, if the offense is revealed, it would be unjust for the auditor to be penalized for non-disclosure while the offenders remain unprosecuted. Reporting illegal acts to the Public Prosecutor, in accordance with Articles 715 bis 13 and 715 bis 14, incurs no liability for the auditor.

1 .Unlawful Activities the Statutory Auditor Must Report

- The primary mission of the Auditor is to certify the accuracy and truthfulness of the financial statements. Therefore, the disclosure mission cannot be separated from the certification mission.
- The illegal acts to be disclosed are those directly related to the company's transactions and contain :
 - Violations related to commercial companies under the criminal provisions of the Algerian C-Code.
 - Violations specified by other laws impacting the annual financial statements
- Upon discovering an illegal act, the Auditor performs the necessary investigations based on true arguments, including:
 - Ensuring that the disclosed act is significant.
 - Ensuring that the act is not a forgetting.

- Assessing the consequences of the act and the purpose pursued.
 - Determining the individuals accountable for the action.
- A set of acts that, by removing the company or its directors from legal provisions, should be considered significant if they:
- Substantially alter the net situation.
 - Misrepresent the trend of results.
 - Harm or are likely to harm the Company or a third party.
- The significance of an act should be assessed when it occurs by the Auditor.

5. Statutory Auditor's Diligences

- In performing their primary mission, the Auditor implements the standard procedures as outlined, including recommendations annexed to Decision No. 103/SPTGE of February Second, 1994.
- The obligation of means in accordance with Article 59 of Law 10-01, based on the use of sampling and test checks in executing their mission.
- Thus, a diligent and prudent Auditor can discharge their responsibility if, during their mission, they do not discover violations of criminal law.
- However, even though the Auditor's mission does not involve systematic searches for violations of criminal law, they cannot avoid responsibility for negligence in their Mission.
- The Auditor cannot assert a lack of knowledge regarding the regulations. to justify failing to disclose detected violations, as their role involves a normal knowledge of the legal and regulatory texts concerning business operations.
- To justify their diligence in this area, the Auditor must establish and maintain a specialized working paper in the annual file for each examined Entity, Notifying:
- The unlawful activities identified.
 - The disclosure made to the Attorney General
 - Reasons for any non-disclosure.
 - If no unlawful activities were identified during the audit, this should be recorded in the working paper.

- The Auditor must still inform shareholders of illegal acts in their general report, even after disclosing them to the Attorney General.
- In the Certification's report, the Auditor will provide :
 - The specifics of the identified facts.
 - Their financial implications.
 - The disclosure procedure followed.

3. Deadline and Form of Disclosure

- Disclosure must be made to the Attorney General.
- Revelation should only occur after the Auditor has completed all required investigations to understand and address the fact identified.
- The time required for all investigations should not exceed a few weeks, given the potential inconvenience for the Auditor, such as:
 - Influences that might be exerted against them.
 - Misinterpretation of their silence as a refusal to disclose.
- Unless based on a justified exception, Disclosure must occur prior to the submission of the report to the Stockholders' Annual Meeting.
- The revelation has to be made in written form ; the disclosure letter, dated and signed, should be submitted with acknowledgment of receipt.
- Also, It should contain:
 - Regarding to Articles 715 bis 13, 715 bis 14, and Article 830 of the Algerian C-Code.
 - Identification of the Company involved in the Revelation.
 - A thorough description of the facts, including references to the relevant legal texts that classify them as criminal.
 - Identification of the offender and, if applicable, any accomplices.
- In complicated cases, the Auditor may seek a meeting with the Attorney General to verbally present their findings before issuing a written revelation; this approach can be used for all detected facts.
- In cases where there are multiple Auditors, the disclosure may be made jointly by the co-auditors, who must be able to justify the diligences mentioned in this recommendation.

4. Sanctions Against a Diligent Auditor

- Any decision to dismiss an Auditor due to their disclosure is considered abusive.
- The Auditor suggested for substitution must refuse the mandate offer and notify the CNCC.

VI. RESPONSIBILITY OF THE STATUTORY AUDITOR

As stated in Article 59 of Law 10-01, Auditors are bound by a general duty of diligence and an obligation of means, rather than results. In contrast, an obligation of results necessitates that the contractor achieve a specific outcome, an obligation of means involves making every effort to achieve the contract's objective without guaranteeing success.

Therefore, a creditor can only hold the debtor liable if they prove that the debtor has committed a fault or failed to use all possible means, in addition to the ongoing mission which constitutes an obligation of means, auxiliary missions, due to their specificity, represent obligations of results.

In this regard, the Auditor's responsibility can be civil, criminal, or disciplinary. In all cases, holding the Auditor responsible requires (CNCC, Octobre 2015):

- A fault
- A prejudice. The prejudice must be actual and certain. It can be financial or moral.

A. CIVIL LIABILITY

The Statutory Auditor incurs Civil liability due to faults or negligence committed in the performance of their duties (Articles 59 and 60 of Law 10-01). Civil liability operates on two levels:

- Liability for personal faults.
- Liability for faults against anyone:
 - The Auditor shares responsibility for the errors made by their co-Auditor.
 - The Auditor is accountable for the mistakes of their collaborators any accountants who provided assistance or represented them.
 - There are cases where the Auditor's liability combines with that of the company's management bodies. For example: failure to disclose violations by administrators or cases of complicity.

Additionally, the Auditor is directly involved in certain offenses listed by the Commercial Code due to their obligations to:

- Disclose illegal acts they become aware of to the prosecutor.
- Reveal in their report to the Ordinary General Assembly any violations committed by the administrators.

B. CRIMINAL LIABILITY

According to Article 62 of Law 10-01, criminal liability can be engaged according to the criminal procedure code for any failure to meet a legal obligation established either by Law 10-01 or the Commercial Code.

These include:

- Offenses related to incompatibilities as per Articles:
 - 715 bis 6 and 829 of the Commercial Code.
 - 64 to 68 of Law 10-01.
- Offense of providing false information about the company's condition (Article 830 of the C-Code, P:248).
- Offenses related to the illegal practice of the auditing profession as per Article 74 of Law 10-01.
- Offense of failing to disclose illegal acts to the prosecutor (Article 830 of the Algerian C-Code, P:248), for example: tax fraud, breach of trust, etc.
- Violation of professional secrecy (Article 830 of the C-Code and Articles 71 & 72 of Law 10-01).
- Offenses related to alterations in registered capital:
 - Elimination of the preferential subscription right.
 - Involvement in a Company based in Algeria.
 - Purchase of over fifty percent of the company's capital (Article 731 of the Algerian C-Code, P:220).
- Swindling committed by administrators, managers, or company staff.
- Offense of incomplete information, such as:
 - Verification and accuracy of information in the board of directors' report.
 - Verification of shareholder equality.
 - Verification of legal provisions governing guarantee shares (20% of social capital).
 - Verification of changes in accounting methods.
 - Examination of agreements between the company and its administrators.
 - Certification of compensation paid to the top 5 or 10 highest-paid employees.
 - Calling of the General Assembly in case of board failure.

→ Initiation of alert procedures when continuity of operations is threatened.

However, the Auditor's liability is discharged if:

- They demonstrate that they have fulfilled the standard duties of their roles.
- They inform the Board of Directors about any violation. (Article 681 of the C-Code, P: 180).
- They are required to inform the next General Assembly of any irregularities and inaccuracies identified during their mission.

C - DISCIPLINARY LIABILITY

As stipulated in Article 63 of Law 10-01, the auditor's disciplinary responsibility is invoked before the Disciplinary Commission of the National Accounting Council (CNC) for any breach or failure to adhere to professional, technical, or ethical standards during the execution of their Missions.

According to Article 05 of Law 10-01, a Disciplinary and Arbitration Commission is established within the National Accounting Council. Its mission has been clearly defined by Executive Decree No. 11-24 of January 27, 2011, which sets out the composition, organization, and operational rules of the National Accounting Council. This Commission is responsible for:

- Developing working methods in the areas of discipline, arbitration, and conciliation.
- Examining files related to disciplinary cases involving any violations or failures to comply with professional, technical, or ethical rules committed by professionals during the performance of their duties.
- Preparing draft opinions on provisions related to arbitration and discipline.
- Playing a crucial role in advising, preventing, conciliating, and arbitrating conflicts between professionals and clients.
- Carrying out preventive and conciliatory missions among professionals.

Furthermore, the Code of Ethics for Auditors has established the professional ethical rules applicable to members of the CNCC in their Interrelations and their Intercommunications with: The CNCC, CNC, Fellow professionals and trainees

The disciplinary sanctions that may be imposed vary depending on their severity (Article 63 of Law 10-01):

- Warning
- Censure
- Temporary suspension for up to six (6) months

→ Deregistration from the Roster

Due to the many obligations placed on the Auditor, obtaining insurance for civil and professional liability is required, But noting that coverage for criminal or disciplinary liability is not available.

CONCLUSION

Statutory Auditing constitutes a fundamental mechanism for ensuring transparency and financial reliability within joint-stock companies. By performing certification, verification, and reporting functions, statutory auditors play a pivotal role in strengthening corporate governance and safeguarding stakeholders' interests. However, the effectiveness of this mechanism is contingent upon several key factors, notably auditor independence, adherence to high-quality professional standards, and the robustness of regulatory oversight frameworks.

From a legal perspective, the mission of the Statutory Auditor is both extensive and strictly defined. While it encompasses oversight and control of corporate operations, it explicitly excludes any interference in managerial decision-making. This legal framework primarily aims to protect the company and its shareholders, while indirectly supporting management. In this regard, a collaborative relationship between auditors and company executives—where Auditors are perceived as strategic partners rather than mere supervisors—can significantly enhance the effectiveness of the audit process.

Beyond the issuance of the general certification report, two critical dimensions of the auditor's mission deserve particular emphasis. First, the duty to issue alerts regarding potential business difficulties underscores the proactive nature of the auditor's role. Auditors are required to identify and communicate any deficiencies that may threaten the continuity of operations, thereby moving beyond a purely retrospective assessment of financial statements. Second, in the context of state-owned enterprises organized as joint-stock companies, auditors bear an additional responsibility to ensure compliance with the specific legal and regulatory provisions governing the Public Sector, in addition to general corporate law.

The findings of this study can be summarized as follows:

→ The Statutory Auditor plays a fundamental role in ensuring the reliability and transparency of financial information.

- The Auditor contributes to strengthening internal control mechanisms within joint-stock companies.
- The certification of financial statements enhances stakeholders' confidence in the company.
- The Statutory Auditor incurs legal liability in cases of professional negligence or failure to properly perform audit duties.
- The effectiveness of the Auditor's role depends on independence, professional competence, and compliance with auditing standards.

Finally, the certification of accounts represents a personal and non-delegable responsibility of the Statutory Auditor. Although assistance may be sought, the auditor must retain direct involvement to acquire sufficient and appropriate knowledge of the financial reality under examination. Consequently, Auditors remain fully accountable to both the company and third parties for any damages resulting from errors or negligence in the execution of their mission.

In sum, Statutory Auditing stands as a cornerstone of financial governance, whose credibility and effectiveness rely on a balanced combination of legal rigor, professional integrity, and constructive engagement with corporate management.

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