



Quality Management in Audit Firms in Algeria

An Analytical Study of the Integration of ASQM1, ASQM2, and ASA220, in Accordance with the Resolution of June 1, 2024

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Abstract:

This study aimed to analyze Algerian quality management standards in audit firms. To achieve this, an analytical study was conducted of Resolution 121 of June 1, 2024, which includes Algerian Quality Management Standard 1, Algerian Quality Management Standard 2, and Algerian Auditing Standard 220, which will come into effect starting in 2026.

These standards address audit firms' obligations regarding the design, implementation, and operation of a quality management system for audit engagements, limited review of financial statements, other assurance engagements, or related services, in addition to engagement quality checks and quality management for financial statement audits. The results of the study showed that these three Algerian standards form an integrated system for ensuring the quality of audit firms. ASQM1 focuses on establishing a quality management system (SOQM), followed by ASQM2 to examine the implementation of this system, while ASA 220 promotes effective audit practices at both the firm and individual engagement levels, focusing on monitoring, correction, evaluation, and document retention to improve transparency and credibility in Algeria.

Keywords: system of quality management (SOQM); audit Firm; Algerian standard on quality management 1 (ASQM 1); Algerian standard on quality management 2 (ASQM 2); Algerian standard on auditing 220.

JEL Classification Codes : M42, M48, L15.

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1-Introduction:

Audit firms face new challenges in a rapidly changing world. Therefore, audit firms need to assess information security and protect it from risks. The quality of audit firms is an important factor in determining companies' ability to detect fraud and deception in an era of increasing fraudulent methods and increasingly complex accounting systems. High-quality audit firms provide comprehensive and accurate auditing that helps protect the financial interests of companies and investors. This is achieved through a quality management system that uses modern and advanced technologies to analyze data and search for signs of fraud. This enhances their ability to detect problems early and attracts high-quality users with the expertise necessary to identify abnormal issues that may indicate fraud. Hence, the need to develop professional standards that establish a clear framework for quality management and its implementation within audit firms emerged. In this context, the Algerian legislator, through Resolution 121 of June 1, 2024, issued three standards focused on quality management: Algerian Standard for Quality Management 1 (ASQM1), Algerian Standard for Quality Management 2 (ASQM2), and Algerian Standard for Auditing 220 (ASA220).

These standards are scheduled to enter into force starting in 2026, in a move aimed at aligning professional practices in Algeria with international developments and standards, particularly those issued by the International Auditing and Assurance Standards Board (IAASB), namely International Standard for Quality Management 1 (ISQM1), International Standard for Quality Management 2 (ISQM2), and International Standard for Auditing 220 (ISA220). Study Problem: Considering that the quality management system of audit offices is one of the mechanisms that work to reduce risks and enhance the practice of the profession, the Algerian Standard for Quality Management 1 (ASQM1), the Algerian Standard for Quality Management (ASQM2), and the Algerian Standard for Auditing 220 (ASA220) came to determine the requirements for quality management by offices. This study came to answer the following problem:

How do the Algerian ASQM1, ASQM2, and ASA220 standards for audit quality management work?

This study is based on the following main hypothesis:

-The Algerian ASQM1, ASQM2, and ASA220 standards work in a complementary manner to ensure the effectiveness of the quality management system in audit firms.

1.1. Significance of the Study:

The importance of this study lies in highlighting the quality management system in audit firms as an important mechanism for reducing the risks of fraud. The importance of this study is also evident in its focus on the new Algerian standards ASQM1, ASQM2, and ASA220, which were issued on June 1, 2024, and are scheduled to be implemented starting in 2026. The importance of these standards lies in their complementary relationship, which contributes to raising the quality of audit firms and enhancing the confidence of users of financial information in Algeria.

1.2. Study objectives:

This study primarily seeks to analyze the complementary relationship between the Algerian standards ASQM1, ASQM2, and ASA220 in the quality management of audit firms. This is achieved by:

- Identifying the concept of audit quality and its indicators;
- Identifying the factors associated with the quality of audit firms;
- Analyzing the responsibilities of audit firms according to the Algerian standards ASQM1, ASQM2, and ASA220;
- Highlighting the components of the SOQM quality management system in audit firms according to these standards;
- Evaluating and documenting the SOQM quality management system in audit firms in light of the three Algerian standards;
- Studying the mechanisms of SOQM quality management systems in audit firms based on the integration of the Algerian standards ASQM1, ASQM2, and ASA220.

1.3. Study Methodology:

To answer the problem and achieve the proposed objectives, we relied on the descriptive-analytical approach, and analyzed official references, including legal texts and national standards issued by the National Accounting Council, represented by three standards: ASQM1, ASQM2, and ASA220. This was done to highlight the integration of these standards into the quality management of audit firms, in terms of responsibilities, components, and work mechanisms.

2. Audit Quality and Audit Firm Quality:

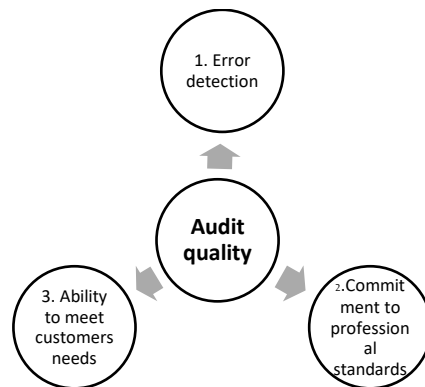
Quality is defined in the Oxford Dictionary as the measure by which something or a certain level of special excellence is measured. "The concept of quality can be interpreted in various ways. Quality can be defined as the extent to which a product or service conforms to specified requirements and specifications, or as compliance with a list of detailed criteria that are viewed as a standard" (Darius & Jonas , 2014, p. 172). Applying this to auditing, the audit process requires a certain level of quality.

2.1. The Concept of Audit Quality:

Audit quality has been defined from various perspectives by researchers and practitioners. It has been defined as "the auditor's ability to detect errors in the client's accounting and financial reporting system and disclose them to the client. This means that audit quality is an indicator of the auditor's competence and independence" (Mihai & Costel , 2021, p. 1). Some have also considered it "the degree of confidence that the auditor's report provides to users of financial statements" (Ashtiani, Oskou, & Takor, 2016, p. 143), while others view it as "the probability that the financial statements will be free of errors and misstatements" (Raymond, Michael, & Agnes , 2018, p. 290). From another perspective, audit quality has been linked to "satisfying the client's desires within the limits of the profession's controls, and that the client is the one who judges the quality of the audit based on what it obtains and what it expected" (Khair Ani, 2013, p. 13), or "by applying a set of considerations." "Related to quality control and adherence to the codes of ethics and professional conduct" (Twawii & Regaigia , 2020, p. 703).

Therefore, no agreed-upon definition of audit quality has been agreed upon due to the difference in professional viewpoints and considerations, and the different angles from which it is viewed, as shown in the opposite figure:

Figure 1. Angles of the audit quality concept



Source: Prepared by the author based on (Belkhiri & Houam , 2023, p. 141)

The previous figure shows the various perspectives from which the concept of audit quality is viewed. These perspectives evolved with the development of the importance and objectives of auditing. Initially, audit quality was viewed from the perspective of error detection. An audit was considered quality if it succeeded in detecting errors and confirming that the financial statements were free of material errors. However, with the emergence of professional bodies that issue auditing standards, the concept of audit quality evolved from this perspective.

Error detection alone is no longer sufficient to achieve a measure of quality, except through adherence to and compliance with the requirements of these standards, especially those issued by professional organizations such as the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA). As interest in the user of financial statements and the information they need has increased, a new perspective has emerged that defines audit quality based on the degree of trust of this user. To sum up, the definition of audit quality according to the three perspectives means performing the audit process in accordance with professional standards, with the ability to detect errors and meet the needs of financial statement users.

2.2. Audit Quality Indicators:

Audit quality is linked to several indicators that vary "according to the parties benefiting from the auditor's report. At the general level, it is determined by the perspective of financial statement users and is linked to the characteristics of the auditor's opinion within the confines of their environment. At the operational level, it is determined by the auditors' perspectives, in terms of the degree of adherence to professional standards and the degree of detection and reporting of errors and misstatements in the financial statements" (Houli & Tahtahouh , 2020, p. 614).

The European Union has also identified a set of characteristics that reflect audit quality, including reliability, objectivity, timeliness, clarity, efficiency, and effectiveness (Maamri, Meftah, & Amoura, 2020, pp. 38-39). Audit quality is also linked to the extent to which the auditor detects and discloses irregularities, which reflects the extent to which they possess independence to provide credibility to the financial statements (Ghalem, Briati, & Marhoum, 2023, p. 388). There are many indicators used to measure audit quality, but some classify them into indicators based on the audit process outputs (related to the soundness of the auditor's opinion) and indicators based on the audit

process inputs (related to the size of the audit firm) (Metwally, 2023, p. 62). Others consider them factors rather than indicators and emphasize that audit quality is affected by several factors.

They focus on the factors that influence audit quality at several levels: at the company level (the higher the level of corporate governance, the stronger the institutional innovation and the higher the audit quality), at the accounting firm level (the firm's size and organizational form affect audit quality to varying degrees), at the auditor level (auditors with sectoral experience are better able to assess audit risks and thus improve audit quality), and at the audit environment level (external institutional environments such as the concentration of financial analysts, the legal framework, and media reports all affect audit quality) (Jianmin & Qin, 2024, p. 3).

Some have focused on the relationship between audit quality, audit fees, and the length of engagement with the company. They have demonstrated a positive relationship between audit fees and audit quality, while there is a negative relationship between audit quality and the length of the auditor's engagement with the company (Saleh, Diab, & Abdelazim, 2023, p. 972). Others have focused on the positive relationship between the effort and time spent in the audit process and audit quality (Touil & El-Saidi, 2021, p. 17). Others have classified the factors influencing audit quality into organizational factors (such as governance, culture, and firm structure) and operational factors (such as audit procedures, tools, and methods used) (Mark , 2024, p. 358).

2.3. Quality of Audit Firms:

Audit quality is not limited to the engagement level alone, but is also linked to the quality of the audit firm as a whole. External users of financial statements expect the highest quality outcomes of the audit process, represented by the auditor's report, because they rely on it for their financial decisions (Senhaji , Awadi , & Amamra , 2017, p. 436). The auditor provides a report to users of the financial statements that assures them that the latter have been prepared in accordance with legal requirements and generally accepted accounting principles, and that they are free of errors and deviations, enabling them to make appropriate decisions.

Some studies have confirmed that this quality is greatly influenced by the person responsible for the engagement (Ocak, 2024, p. 453). The quality of auditors' decisions is affected by several factors, including the complexity of the tasks they perform, their personal characteristics, and their interactions with key stakeholders such as management and audit committees (Renny & Dian, 2025, p. 2). Audit firms face challenges in designing and measuring their performance, the most important of which is the size of the firm and its affiliation with it.

An international audit firm, the qualifications and experience of partners and audit managers required for design and implementation, and the confidentiality of the auditor-client relationship, along with the need to maintain independence and confidentiality while providing high-quality services, require robust and advanced information systems that can increase the firms' revenues and profits and help them achieve growth and success, while taking into account the constraints imposed by regulations and professional auditing standards to help maintain high-quality outputs (Hegazy & Tawfik, 2015, p. 395). To control the quality of the audit process, it is necessary to identify the factors associated with the quality of the audit firm, as shown in the following table:

Table 1. The most important factors associated with the quality of the audit firm

Factor	The relationship between the worker and the quality of the audit office
Size of the audit firm	Audit quality is linked to the size of the audit firm. Large firms have diverse human resources and expertise that contribute to improving the quality of their services, while small and medium-sized firms can provide similar quality if they have the necessary competencies and capabilities.
Reputation of the audit firm	Reputation is a direct reflection of the quality of a firm's services and can only be achieved through adherence to professional standards, experience and competence, quality communication with clients, accurate reporting, and maintaining a high level of performance.
Competition among audit firms	Competition is positive when it is based on the quality of services provided, which enhances performance and raises quality. Competition is negative when it is based on reducing fees, thus reducing the audit program and procedures, which negatively impacts audit quality.
Degree of specialization of the audit firm	Specialization in a specific field contributes to increased efficiency, reduced costs, and increased audit quality. However, it may limit the client base and increase business risks if demand for the field is low.
Duration of the audit firm's association with the client	Long-term engagement can contribute to improving audit quality through the firm's strong knowledge of the client, but it may weaken independence and lead to collusion, which harms the quality of results.
Litigation filed against the audit firm	There is an inverse relationship between the number of cases filed against an audit firm and the quality of the audit: the fewer the number of cases, the higher the quality.

Source: Prepared by the author based on (Omar, 2017, pp. 68-73).

The previous table shows that the factors influencing the quality of an audit firm vary between factors with a direct positive impact, such as reputation, and others with a direct negative impact, such as the lawsuits filed against the audit firm. There are also factors with a variable impact depending on the circumstances, such as the size of the audit firm, its degree of specialization, the length of its association with the client, and competition between audit firms.

Some consider all of the aforementioned factors in the table to be internal, while others consider external factors to be represented by the economic environment, the political and legal environment, professional organizations, and oversight bodies, which can enhance audit quality if they intervene effectively and limit the occurrence of errors and fraud (Damage & lebbaz , 2023, p. 191).

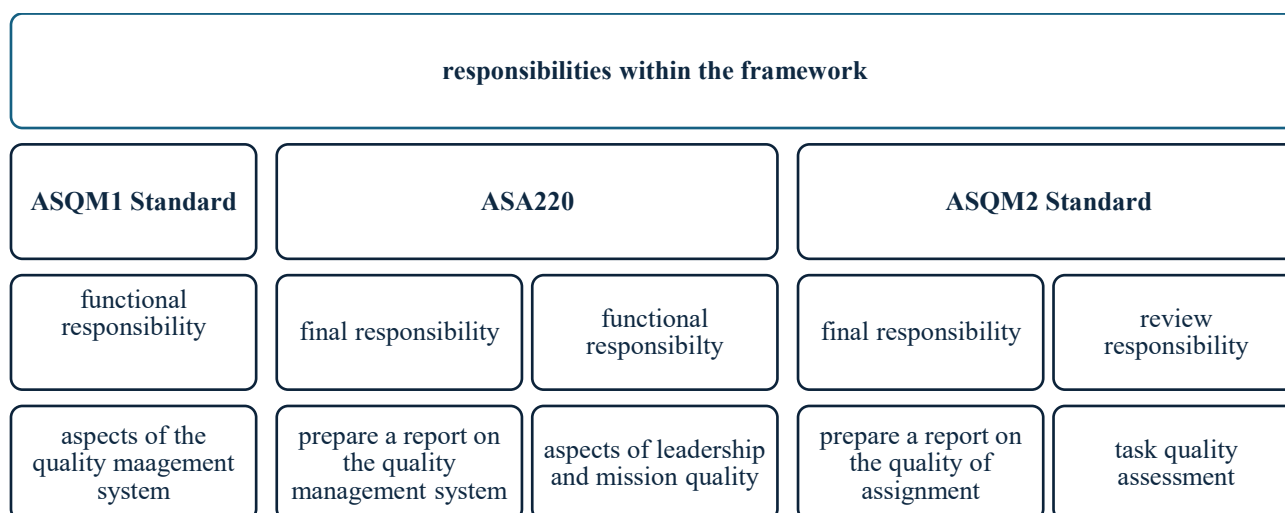
3. Audit Firm Responsibilities According to Algerian Standards ASQM1_ASQM2_ASA220:

The importance of audit quality management prompted the International Auditing and Assurance Standards Board (IAASB) to issue International Standard on Quality Management 1 (ISQM1), International Standard on Quality Management 2 (ISQM2), and International Standard on Auditing 220 (ISA220), collectively known as System for Quality Management (SOQM). These standards came into effect on December 15, 2022. They set audit quality standards that both auditors and firms must adhere to. Essentially, auditors and firms should focus on enhancing auditors' capabilities and improving the work process during audit execution with the aim of raising the quality of audit work (Yusarina Mat-Isa, Muzammil , Zuraidah , Fazlida , & Daniel , 2023, p. 1016).

In order to adapt the Algerian environment to these developments and based on these standards, Algeria issued local standards (ASQM1_ ASQM2_ ASA220) in accordance with

Resolution 121 dated June 1, 2024, with implementation expected in early 2026. It defined the responsibilities of the audit office, as it holds the audit office responsible for designing, establishing and operating a quality management system (SOQM) that conducts limited audits or examinations of financial statements or other assurance assignments or related services, as well as the responsibility for achieving quality at the level of each assignment and reviewing the quality of the assignment, taking into account the nature and circumstances of the office and the assignments it performs. The opposite figure summarizes the responsibilities of each standard separately:

Figure 2. Types of audit office responsibilities within the framework of ASQM1_ ASQM2_ ASA220



Source: Prepared by the author based on (Decree No. 121, 2024).

The previous figure illustrates that ASQM1 requires the audit firm to assign two types of responsibilities. Paragraphs 14 and 15 refer to functional and final responsibilities. The first relates to aspects specific to the quality management system, including ensuring the monitoring mechanism and taking corrective measures in accordance with independence rules, and is assigned to a member or members of the firm. The second is assigned to the firm's head or equivalent, who must submit a final report on the quality management system by communicating with the person or persons assigned functional responsibility for the specific aspects of the quality management system (Decree No. 121, 2024, p. 8).

The previous figure shows that the ASA220 standard also requires the engagement leader to assume two types of responsibilities. The final responsibility is stated in paragraph 8, which emphasizes the engagement leader's submission of a final report on compliance with the requirements of this standard. The functional responsibility is stated in paragraph 9, which requires the engagement leader to complete the audit engagement in accordance with professional standards and applicable legal and regulatory requirements (Decree No. 121, 2024, pp. 26-27).

Meanwhile, the ASQM2 standard assigns the audit firm the responsibility of reviewing the engagement's quality through an objective evaluation of the engagement team's judgments and conclusions, stipulating that the engagement quality review leader should not be part of the engagement team. Paragraph 17 of the ASQM2 standard confirms that the engagement quality review leader's responsibility is to determine the nature, timing, schedule, and scope of directing and

supervising the individuals assisting him in his work (Decree No. 121, 2024, p. 20). Thus, the Algerian standards ASQM1, ASQM2, and ASA220 demonstrate a clear integration in defining the responsibilities of the audit firm, as each standard covers a complementary aspect of audit quality management and assurance. ASQM1 establishes the general framework for the quality management system within the firm, defining functional and final responsibilities to ensure an effective control system, while ASQM2 focuses on ensuring the quality of the engagement through an independent and objective review of the audit team's performance, enhancing the credibility of the results. ASA220 places the engagement manager directly responsible for implementing the audit in accordance with professional standards and applicable laws, linking the overall quality system with its practical application at the level of each audit engagement.

This integration enhances the efficiency and effectiveness of audit practices and ensures commitment to quality performance at all levels. In addition, it should be noted that the Algerian legislator has established and formed several bodies to regulate the accounting and auditing profession, with the aim of raising the level of performance of the auditing profession, most notably the creation of the National Council of Accountants (NCA), which operates under the authority of the Minister of Finance (Executive Decree No. 96-136, 1996, p. 18). Following the reforms that the profession has witnessed with the aim of moving towards international practice, Law 10-01 was issued, restructuring the National Council of Accountants and giving it a significant role by assuming the tasks of accreditation and accounting standardization and regulating and monitoring the accounting profession (Law No. 10-01, 2010, p. 4).

To facilitate the tasks of the National Council of Accountants, committees were formed to carry out their work with great care. Five committees with equal members were established within the Council, namely the Committee for Standardization of Accounting Practices and Professional Care, the Accreditation Committee, the Training Committee, the Discipline and Arbitration Committee, and the Quality Control Committee. The latter was entrusted with the responsibility of monitoring audit quality through the following tasks: (Executive Decree No. 11-24, 2011, p. 7)

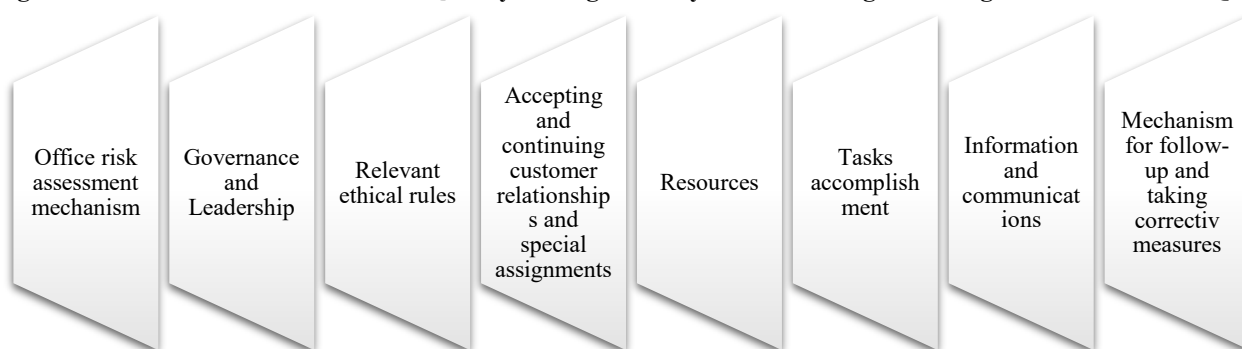
- Developing working methods in the field of service quality;
- Expressing opinions and proposing draft regulatory texts in the field of quality;
- Ensuring the quality of audits assigned to professionals;
- Developing standards that include how offices are organized and managed;
- Developing measures to ensure quality control of office services;
- Ensuring compliance with rules of independence and ethics;
- Preparing a list of auditors selected from among professionals to ensure quality control tasks;
- Organizing forums on the technical quality of work and the ethics and behaviors that professionals must adhere to in the field of consulting and client relations.

Based on the tasks assigned to the Quality Control Committee of the National Accounting Council, the Council's interest in controlling the implementation of professional and ethical rules related to the accounting and auditing professions is highlighted, as is the new focus on improving the quality of services provided by the accounting and auditing professions, and ensuring high quality compliance with the rules of practice of both professions (Bahlouli, 2023, pp. 48-49). Thus, the Quality Control Committee's responsibility for quality control of audit firms is evident.

4. Components of an Audit Firm's Quality Management System According to Algerian Standards ASQM1_ASQM2_ASA220:

According to paragraph 4 of Algerian standard ASQM1, an audit firm's quality management system consists of eight elements, representing the general framework that every audit firm must design and operate to perform its duties with high quality and in accordance with ethical and professional requirements, as represented in the following figure:

Figure3. Elements of the Audit Office Quality Management System according to the Algerian standard ASQM1



Source: Prepared by the author based on (Decree No. 121, 2024, p. 6).

The previous figure shows the components of an audit firm's quality system according to Algerian Standard ASQM1. The audit firm is responsible for designing, developing, and operating this system with all its components. Standards ASQM2 and ASA 220 also address some of these elements in many paragraphs. The following is an analysis of the three standards:

- **Firm Risk Assessment Mechanism:**

Algerian Standard ASQM1, in paragraphs 16 to 19, requires the audit firm to design and implement a risk assessment process by defining the associated objectives, identifying and assessing quality risks, and designing a response to them, taking into account the following: (Decree No. 121, 2024, pp. 8-9)

- Understanding and identifying risks associated with the nature and circumstances of the firm (the firm's complexity and management characteristics, the firm's strategic and operational decisions, operational processes, and institutional model within the firm's mechanisms, management style and characteristics, the firm's resources, legal and regulatory texts, and professional standards, as well as the environment in which the firm operates);
- Design responses to address quality-related risks based on the assessment of these risks. Quality-related objectives may be modified or additional objectives may be added. If necessary, modify or reassess quality-related risks, modify and design responses, or implement additional responses.

- **Governance and Leadership:**

Paragraph 20 of the Algerian Standard ASQM1 requires the office, as part of strengthening governance and leadership, to: (Decree No. 121, 2024, pp. 9-10)

- Demonstrate contribution by recognizing and strengthening the office's role in: serving the public interest, the importance of professional ethics and conduct, the responsibility of all its members for accomplishing tasks within the framework of the quality management system, and the importance the office attaches to quality in its strategic decisions and actions;
- Assume management's responsibility for reporting on quality;
- Establish an organizational structure that allows for the design, implementation, and operation of the office's quality management system;
- Identify needs and allocate resources in line with the office's commitment to quality.

ASA 220 supports leadership responsibility in paragraphs 10, 11, and 12, whereby the engagement leader and team members have the following: (Decree No. 121, 2024, p. 27)

- Overall responsibility for managing and achieving engagement quality;
 - Ensuring adequate and appropriate participation throughout the engagement;
 - Contributing to engagement-wide quality management;
 - Demonstrating professional ethics, values, and attitudes;
 - Maintaining open and rigorous communication within the team;
 - Exercising critical thinking throughout the engagement;
 - Assigning, designing, and implementing procedures, performing tasks, and taking actions necessary to achieve quality.
- **Relevant ethical rules:**

Paragraph 21 of the Algerian standard ASQM1 requires the audit firm to understand the relevant professional ethics rules, including independence, and for the firm's members to exercise their responsibilities towards those rules when performing the assigned tasks (Decree No. 121, 2024, p. 10). Paragraphs 13 to 18 of the ASA 220 standard require the audit engagement official to understand and ensure compliance with the relevant ethics rules, including applicable independence, and to ensure that his team members are informed of everything related to these ethics and all threats to compliance with them or circumstances that lead to their violation, as well as all responsibilities that fall on the engagement team members in the event of non-compliance with legal and regulatory texts (Decree No. 121, 2024, pp. 27-28).

Algerian standard ASQM2 also requires, in paragraphs 14 and 16, the audit firm to develop policies or procedures for appointing quality review officers for engagements that comply with the code of professional ethics, particularly those related to threats to their objectivity and independence. Paragraph 15 of the same standard specifies a period of at least two years, in accordance with the code of professional ethics, before an engagement officer may assume the duties of an engagement quality review officer (Decree No. 121, 2024, pp. 19-20).

- **Accepting and Maintaining Client Relationships and Special Engagements:**

In determining whether or not to accept or maintain client relationships and special engagements, paragraph 22 of the Algerian standard ASQM1 requires the firm to ensure the following: (Decree No. 121, 2024, p. 10)

- Information related to the nature and circumstances of the engagement;
 - The integrity and ethical values of clients, including management and governance parties;
 - The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. ASA 220, paragraphs 19-21, requires the engagement manager to establish the firm's policies or procedures for accepting and maintaining client relationships and audit assignments, taking these policies into account when planning and completing the audit engagement. If a client audit engagement or special assignment is rejected, the firm must be notified immediately so that it can take the necessary action (Decree No. 121, 2024, p. 28).
- **Resources:**

The firm obtains resources to accomplish its assignments. The Algerian standard ASQM1 emphasizes that the firm must ensure the development, distribution, and allocation of these resources in a timely manner for the purpose of designing and implementing a quality management system. Paragraph 24 focuses on three types of resources: (Decree No. 121, 2024, p. 11)

- Human resources: The audit firm must employ those with the necessary competence and ability to complete assignments with high quality. It must also ensure the continuous development and improvement of its staff and their allocation to implement activities that ensure the operation of the quality management system;
- Technological resources: The audit office must obtain modern and appropriate technological resources to operate the quality management system when completing tasks, and it must also maintain and develop these resources;
- Intellectual Resources: The audit firm must obtain, maintain, and, if necessary, develop appropriate intellectual resources to enable the operation of the quality management system.

However, ASA 220, paragraphs 22-25, focus on allocating these resources, ensuring their adequacy and suitability, and making them available to the engagement team in a timely manner. The engagement leader is responsible for the optimal use of these resources and for allocating additional resources if the previously allocated resources are insufficient or unsuitable. He must also select engagement team members based on their competence and capabilities appropriate to the engagement (Decree No. 121, 2024, pp. 27-28). While the Algerian standard ASQM2 focused solely on human resources, paragraphs 13, 14, and 16 require the audit firm to develop policies or procedures for appointing a quality reviewer for engagements. The auditor must possess the independence, objectivity, competence, capabilities, and authority to conduct the engagement review, and must comply with professional ethics (Decree No. 121, 2024, pp. 19-20).

- **Accomplishing engagements:**

In order to accomplish engagements with high quality, paragraph 23 of the Algerian standard ASQM1 requires the firm to set the following objectives: (Decree No. 121, 2024, pp. 11-12)

- The engagement team's commitment to its responsibilities regarding quality management for the assigned engagement;
- Determine the nature, schedule, scope, and supervision of the engagement team in proportion to the allocated resources;
- Place work performed by less experienced members under the direction and supervision of more experienced members;
- The engagement team exercises appropriate professional judgment depending on the engagement type;
- Discusses difficult issues among the engagement team and implements a shared agreement;
- Resolves disagreements among the engagement team;
- Collects and maintains engagement documentation in a manner consistent with legal and regulatory requirements and professional ethics.

ASA 220, paragraphs 26-30, requires the engagement team to accomplish the engagement, which involves the engagement of the auditor's responsibility for the management, supervision, and review of the engagement, by determining the nature and timing of significant and other matters in accordance with applicable policies, professional standards, and legal and regulatory requirements, ensuring that the auditor's report is not later than the date of the auditor's report, and obtaining sufficient and appropriate evidence to establish conclusions that enable the issuance of the auditor's report. (Decree No. 121, 2024, p. 29)

If an engagement quality review is required, the Algerian standard ASQM2 must be applied by specifying the qualification criteria for engagement quality review officers. According to paragraph 21, the engagement quality review officer must, upon completion of the engagement, do the following: (Decree No. 121, 2024, p. 21)

- Read and understand the information provided by the engagement team (about the nature and circumstances of the engagement) and by the firm (about the follow-up process and corrective action, particularly the weaknesses identified by the engagement team);
 - Discuss significant issues and judgments (identified during the engagement planning and execution and in preparing the report) with the engagement leader or members of the engagement team;
 - Review the information obtained and evaluate the basis for these judgments, the engagement documents, and the appropriate framework for the conclusions drawn;
 - Evaluate the basis relied upon to determine the extent to which the professional ethics rules related to independence were respected, in the case of a financial statement audit;
 - Evaluate the conclusions drawn from consultations related to points of disagreement;
 - Evaluating the basis on which the person responsible for the audit engagement determined the adequacy and appropriateness of their involvement during the audit period, in the case of a financial statement audit;
 - Transitioning to the review, in the case of a financial statement audit, or in the case of limited reviews of financial statements, or in the case of other assurance engagements or related services, and the auditor's report thereon.
- **Information and Communication:**

To enable the operation of a quality management system, Algerian Standard ASQM1, through paragraph 25, requires the firm to ensure the entry, recording, processing, and maintenance of reliable information, whether from internal or external sources, and to ensure the exchange of such information among firm members to carry out activities according to their nature, schedule, and scope, and to enable the completion of assignments (Decree No. 121, 2024, p. 12).

ASA 220, paragraph 32, requires the engagement officer to conduct appropriate consultations on sensitive and other matters, whether at the engagement team level or among other individuals, and then determine the resulting conclusions. Paragraph 31 of the same standard emphasizes that the engagement officer must review official written communications addressed to management, governance parties, or regulatory authorities before sending them. Paragraph 33 of this standard requires the engagement officer to appoint an engagement quality review officer for audit engagements that require a quality review. It emphasizes the need for coordination between the audit officer and the rest of the engagement team members to discuss important matters and judgments, and to ensure that the auditor's date is recorded after completing the engagement quality review (Decree No. 121, 2024, pp. 29-30).

According to paragraph 19 of the Algerian standard ASQM2, the engagement quality review officer must inform the qualified persons at the office level of the circumstances that hinder his qualification, and take the necessary measures, which include refusing to appoint him if he has not yet started work or stopping the implementation if he has started work. Paragraph 23 of the Algerian standard ASQM2 also requires the engagement quality review officer to inform the engagement manager of the completion of the review assignment (Decree No. 121, 2024, pp. 20-21).

- Monitoring and Corrective Measures Mechanism:

To ensure and evaluate the audit firm's performance, paragraphs 27 to 35 of the Algerian Standard ASQM1 require the firm to: (Decree No. 121, 2024, pp. 13-14)

- Design and implement monitoring activities, specifying their nature, timing, and scope, by highly qualified and capable individuals;
- Evaluate deficiencies, individually or collectively, in the quality management system and determine their consequences;
- Respond to deficiencies by designing and implementing corrective actions and measures based on the results of an analysis of the circumstances and causes leading to the deficiencies;
- Maintain ongoing communication between the individuals assigned functional responsibility and those assigned final responsibility, and submit a final report regarding the monitoring process, corrective action, and all matters related to the evaluation and response to deficiencies.

ASA 220 also supports monitoring and corrective action in paragraph 36, where the engagement leader is responsible for understanding the information derived from the firm's monitoring and corrective action process, as reported by the firm, determining its significance and impact on the audit engagement, and communicating this information to those responsible for the process. (Decree No. 121, 2024, p. 31)

5. Evaluating and Documenting the Audit firm's Quality Management System According to Algerian Standards ASQM1, ASQM2, and ASA220:

In addition to the components of the quality management system included in Algerian standard ASQM1, this standard emphasizes in paragraphs 38 and 39 the firm's responsibility to evaluate that system. The standard requires the firm to prepare a report on the quality management system at least once a year on behalf of the audit firm, summarizing the following: (Decree No. 121, 2024, p. 14)

- That the quality management system provides the firm with reasonable assurance that the system's objectives have been achieved;
- Or the quality management system provides the office with reasonable assurance that the system's objectives have been achieved, excluding items related to deficiencies that have a serious but not widespread impact;
- Or the quality management system does not provide the office with reasonable assurance that the system's objectives have been achieved.

Paragraph 42 of the Algerian Standard ASQM1 states that an office must establish a retention period for documents related to the quality management system, appropriate to the requirements of legal and regulatory texts. Paragraph 41 of the same standard also indicates what such documents include: (Decree No. 121, 2024, p. 15)

- The person or persons assigned ultimate responsibility or functional responsibility;
- The office's quality objectives and associated risks;
- How to respond to and address quality-related risks;
- The process for monitoring and taking corrective action.

Paragraphs 24 to 26 of the Algerian Standard ASQM2 define the engagement quality reviewer's responsibility for documentation. They require the auditor to document the engagement's work by including the name of the quality reviewer and all their assistants, indicating the documents reviewed and the audit completion date, as well as documenting significant judgments and conclusions drawn, particularly inappropriate ones that must be reported to the engagement manager (Decree No. 121, 2024, p. 21). Paragraph 38 of the Algerian Standard ASA 220 also supports documentation, requiring the auditor to record the following in the audit documents: (Decree No. 121, 2024, p. 31)

- Specific issues and significant interviews with firm members, and conclusions drawn related to adherence to professional ethics rules, including independence, acceptance of the client relationship, and the audit assignment and its continuity;
- The nature and extent of consultations conducted during the audit period, the conclusions drawn, and the manner in which they were implemented;
- -Confirming the completion of the engagement quality review process no later than the date of the auditor's report.

The integration between the Algerian standards ASQM1, ASQM2, and ASA220 is evident in their comprehensive coverage of various aspects related to the assessment and documentation of the quality management system within audit firms. ASQM1 lays the foundation by requiring the firm to assess the quality management system annually and submit a report outlining the extent to which its objectives have been achieved. It also specifies the content of the documents to be retained, such as assigned responsibilities, risks, and measures taken. ASQM2 reinforces this framework by regulating the documentation of engagement quality reviews.

It requires the audit manager to document names, documents, judgments, and conclusions, ensuring accurate tracking of the engagement's progress and quality. ASA220 complements this approach by focusing on professional and ethical documentation during engagement execution, particularly with regard to independence, consulting, and client relationship continuity. These standards therefore form an integrated system that enhances the credibility and effectiveness of the quality management system within audit firms and ensures compliance with professional and legal standards at all levels.

6. Mechanisms of the SOQM Quality Management System (SOQM) within the Audit Office, integrating Algerian standards ASQM1, ASQM2, and ASA220:

Through an analytical study of Algerian standards ASQM1, ASQM2, and ASA220, it is concluded that quality management within the Audit Office, according to ASQM1, begins with leadership, governance, and the assignment of responsibilities for designing, operating, and reviewing quality management at the office level. This standard focuses on eight integrated elements that form the general framework of the SOQM Quality Management System (SOQM) within the Audit Office, with the engagement manager and their team being held responsible for engagement quality in accordance with ASA220. Furthermore, engagement quality review is activated when necessary by an independent, qualified auditor in accordance with ASQM2. The following table highlights the interconnectedness between the three standards:

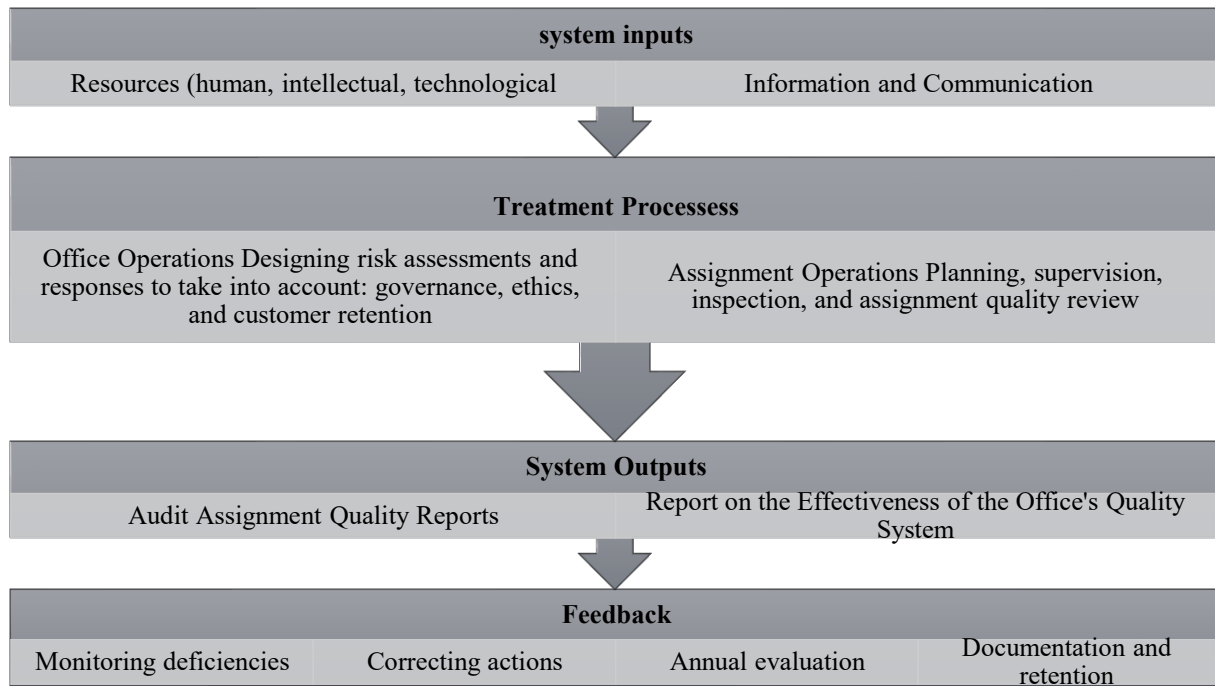
Table 3. Integration of Algerian standards ASQM1_ ASQM2_ ASA220 in audit office quality management

Side	ASQM1	ASA 220	ASQM2
Application level	Office level	Individual task level	Independent oversight of some tasks
Main objective	Building a Quality Management System	Implementing quality policies during auditing	Check the effectiveness of the system
Relation	It forms the organizational basis	The basis is applied within each task	Checks the effectiveness of the foundation

Source: Prepared by the author

From the previous table, it can be concluded that ASQM1 is the backbone of the office's SOQM system, while ASQM2 represents the monitoring and verification mechanism, and ASA 220 translates policies into daily practices during the execution of audit assignments. ASQM1 requires the audit office to adhere to a set of requirements that ensure quality management at a systematic and comprehensive level for each component of the system. However, these components become more integrated and effective when reinforced by ASQM2 and ASA 220. The former constitutes a mechanism for examining and evaluating the quality of assignments, while the latter represents a tool for ensuring adherence to quality within the assignment itself. The audit office's quality management mechanism can be summarized as an integrated system in the following figure.

Figure 4: The mechanism of action of the components of the quality management system according to the Algerian standards ASQM1_ ASQM2_ ASA220



Source: Prepared by the author

The previous figure clearly shows that the audit office quality management system according to the Algerian standards ASQM1_ ASQM2_ ASA220 works to reduce audit risks by using its inputs, represented by various resources (intellectual, human, technological) and allocating them at the appropriate time, and the information it obtains from internal and external sources through contact with various parties (members of the audit office and clients). The system processes this information on two levels.

The first is at the level of the firm as a whole, through the development and design of how to assess risks and respond to these risks. This system ensures, on the one hand, the strengthening of governance and respect for the ethical rules for practicing the auditing profession, and, on the other hand, the preservation of the firm's relationship with clients. The second is at the level of each assignment, through the preparation for the assignment, its implementation, and its review, if necessary. Among the most important outputs of this system are the reports issued by the auditor based on sufficient and appropriate evidence after the completion of the quality review, which confirms the quality of each assignment, as well as the final report on the effectiveness of the quality of that system.

This is achieved by ensuring the achievement of objectives and the allocation of resources, especially by controlling the system through feedback that appears in the follow-up mechanism and taking corrective measures after identifying deficiencies. The periodic evaluation is represented by the official annual report in the name of the firm, which provides reasonable assurance regarding the achievement of quality objectives, while emphasizing the retention of all quality-related documents for the legally and regulatory appropriate period. From the above, the validity of the study's hypothesis can be confirmed.

The integration of Algerian quality management standards (ASQM1, ASQM2, ASA220), in accordance with the decision dated June 24, 2024, contributes to building an integrated quality management system within audit firms in Algeria, consistent with international practices and

standards, and enhances the credibility and reliability of audit services. Furthermore, the National Council of Accountants has mandated the application of the three standards simultaneously, indicating that the Algerian legislator views integration as a necessity to ensure quality.

7. Conclusion

The SOQM system in audit firms defines standards and ensures compliance with them, which reduces errors and enhances accuracy. This includes regular review and monitoring procedures, continuous training, and the use of analytical tools to identify and improve processes. The SOQM system for Algerian audit firms (ASQM1, ASQM2, ASA220) is influenced by the quality management system, which identifies the drivers of audit quality at the assignment and office levels. To ensure the successful implementation of these standards, understanding the factors influencing audit quality at both levels is crucial. Through an analytical study of the three criteria, the following conclusions were reached:

- The audit firm's quality management system utilizes competent human resources, appropriate intellectual resources, and modern technological resources to design, implement, and operate the quality management system effectively. It ensures the allocation and continuous development of these resources, which reduces risks.
- The inputs to the audit firm's quality management system consist of information obtained from various aspects of the system's environment: the internal environment, represented by information and communications exchanged within the firm when carrying out various audit activities; and the external environment, represented by information and communications exchanged between the audit firm and its clients, i.e., the companies being audited. The system's focus on obtaining reliable information ensures risk reduction.
- The processing operations within the audit firm's quality management system include planning, supervising, and reviewing the completion of its tasks, according to an organizational structure that ensures high-quality management, enabling governance requirements to be met and accountability to the ethical rules of professional practice, thus enabling risk control.
- Feedback from the quality management system is represented by the functional responsibility assigned to audit office members, which aligns the monitoring and corrective action mechanism with the rules of independence. This involves identifying system weaknesses, identifying risks, their causes, and their resulting effects, and then responding to them by taking corrective action. An annual report is then submitted, along with documentation and retention of all evidence related to the audit office's quality management system.
- The outputs of the audit office's quality management system are represented by the final responsibility assigned to the office manager or their equivalent. This is achieved by submitting a final audit report on the quality management system and the audit mission, in continuous coordination with those assigned functional responsibility. This report includes the extent to which the system's objectives have been achieved, which are centrally linked to the extent of risk control.
- Algeria's move toward international standards through the issuance of ASQM1, ASQM2, and ASA220 reflects the legislator's desire to enhance audit quality and internal control.
- The integration of the three standards represents a hierarchical system: the office sets the framework (ASQM1), the official implements (ASA220), and the auditor evaluates (ASQM2).

- Adapting these standards to the Algerian environment will enhance investor confidence and the transparency of financial reporting.
- Actual implementation in 2026 will be a challenge requiring training, education, and preparation of audit firms, especially small ones.

Recommendations:

In light of the findings on the integration of a quality management system in audit firms through an analysis of Algerian standards ASQM1, ASQM2, and ASA220, this study confirms the following two recommendations:

- Organizing study days and training workshops on the requirements of these standards;
- Monitoring the implementation and application of these standards at the required level, especially at the level of small and medium-sized firms;
- Strengthening oversight by quality control and accreditation committees to ensure proper implementation;
- International updating of these standards and keeping pace with international developments, with the need to complete the issuance of Algerian auditing standards, which will support the quality management of audit firms.

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