

RESEARCH ARTICLE

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Deficiencies in the Auditing Profession in Algeria and Their Implications for Algeria's Classification on the FATF Gray List - An Empirical Field Study-

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Abstract

The auditing profession plays a vital role in promoting financial transparency, strengthening governance, and combating money laundering and terrorist financing. In Algeria, however, several professional and regulatory deficiencies continue to undermine the effectiveness of auditing practices and limit compliance with international standards. This study examines the main manifestations of these deficiencies and analyzes their impact on Algeria's inclusion on the Financial Action Task Force (FATF) gray list. Using a descriptive and analytical approach, data were collected through a structured questionnaire administered to a sample of auditing professionals. The analysis focused on professional governance, compliance practices within audit firms, and the level of institutional cooperation. The findings reveal that fragmented governance, weak compliance mechanisms, and limited coordination among relevant institutions significantly increase the risk of undetected suspicious transactions. These weaknesses reduce the effectiveness of the supervisory system and contribute directly to Algeria's continued presence on the FATF gray list. The study highlights the need for comprehensive reforms to enhance audit quality and strengthen international compliance.

Keywords: Auditing profession; FATF gray list; Professional governance; Compliance; institutional cooperation ;Algeria.

Introduction

The auditing profession in Algeria constitutes a fundamental pillar for enhancing financial transparency, strengthening governance frameworks, and combating financial crimes, particularly money laundering and terrorist financing. However, the current practice of auditing in Algeria is characterized by several professional and regulatory shortcomings that limit its effectiveness in meeting international compliance requirements. These deficiencies have negatively affected the image of the national financial system and have contributed to Algeria's inclusion on the gray list of the Financial Action Task Force (FATF). Such classification poses a challenge

to Algeria's economic and financial autonomy, weakens the confidence of foreign investors, and undermines its international standing as an effective economic partner.

Research Problem

This study seeks to analyze the manifestations of deficiencies within the auditing profession and to clarify their effects on Algeria's classification within the FATF framework. Accordingly, the central research question of this study is formulated as follows:

What are the main manifestations of deficiencies observed in the auditing profession in Algeria, and to what extent do they affect Algeria's inclusion on the FATF gray list?

Research Hypotheses

In order to address the research problem, the study proposes the following hypotheses:

- **First Hypothesis:** There is a statistically significant effect of the fragmentation of professional governance on Algeria's inclusion on the FATF gray list, at a significance level of 0.05.
- **Second Hypothesis:** There is a statistically significant effect of compliance obstacles within audit firms on Algeria's inclusion on the FATF gray list, at a significance level of 0.05.
- **Third Hypothesis:** There is a statistically significant effect of weak institutional cooperation on Algeria's inclusion on the FATF gray list, at a significance level of 0.05.
- **Fourth Hypothesis:** There is a statistically significant effect of overall deficiencies in the auditing profession in Algeria on Algeria's inclusion on the FATF gray list.

Objectives of the Study

This study aims to analyze the manifestations of deficiencies affecting the auditing profession in Algeria and to measure their impact on Algeria's classification on the FATF gray list. This is achieved by assessing levels of professional governance, compliance practices within audit firms, and institutional cooperation. The study also seeks to highlight the repercussions of these deficiencies on the financial system and the compliance framework in Algeria. Furthermore, the findings provide a scientific basis for proposing reform measures aimed at enhancing financial transparency and improving the efficiency of the auditing profession in response to international compliance requirements.

Research Methodology

In order to achieve the objectives of this study, address the stated research problem, and test the proposed hypotheses, the descriptive and analytical approach was adopted. This was carried out by defining the study variables on the one hand, and by analyzing the responses of the study sample to the statements included in the field research instrument (the questionnaire) on the other hand. The collected data were then processed using appropriate statistical methods.

Structure of the Study

The study was divided into two main parts. The first part addresses the conceptual framework of auditing, while the second part is devoted to the field study.

Theoretical Study

This section examines the fundamental concepts related to external auditing in Algeria, along with the legal framework and professional practices governing it, as follows:

1. Development of the Auditing Profession in Algeria

The auditing profession in Algeria has undergone several developments as a result of economic, social, and political changes experienced by the country. The most significant stages in the evolution of the auditing profession in Algeria can be summarized as follows:

- **First Stage (1969–1980):** The history of the auditing profession in Algeria began with the issuance of Ordinance No. 69-107 in 1970. Article 39 stipulates that the Minister responsible for finance and planning appoints statutory auditors in national companies and public industrial or commercial enterprises. This aims to ensure the legality and accuracy of their accounts and to analyze their financial position in terms of assets and liabilities. The same article also allows for the appointment of auditors in companies in which the State or a public entity holds a share in the capital (Law No. 69-107, p. 1805).

This was followed by Decree No. 70-173 issued in 1970, which defined the duties and responsibilities of statutory auditors selected from among general financial controllers, financial inspectors, or officials from the Ministry of Finance (Decree No. 70-173, 1970, p. 1439).

In 1971, Ordinance No. 71-82 was issued. Article 01 allowed the practice of the accounting and chartered accounting profession by natural or legal persons under specific conditions (Ordinance No. 71-82, 1971, p. 1852). Article 13 of the same

order designated the Supreme Council of Accounting as the supervisory and regulatory authority for accountants and chartered accountants.

In 1980, Law No. 80-05 was enacted, establishing the Court of Accounts. The Court was entrusted with audit and control functions, replacing statutory auditors. It became responsible for auditing and certifying accounts (Law No. 80-05, 1980, p. 338).

- **Second Stage (1981–2010):** In 1988, major changes occurred in the country's economic orientation with the decline of socialist economic thought. Law No. 88-01 was issued, granting public enterprises legal personality and subjecting them to commercial law (Law No. 88-01, 1988, p. 31).

Subsequently, Law No. 90-32 was enacted in 1990, amending the organization and functioning of the Court of Accounts. Its role was limited to ex post control of State finances, local authorities, public services, and entities subject to administrative law and public accounting. Article 4 of the same law stipulated that public economic enterprises governed by civil and commercial law fall under the jurisdiction of external auditors (Law No. 90-32, 1990, p. 1691).

Law No. 91-08 was issued in 1991 to define the conditions and modalities for practicing the professions of chartered accountant, statutory auditor, and certified accountant within commercial companies, associations, social mutual organizations, and trade unions. The law also established the National Organization of Chartered Accountants, Statutory Auditors, and Certified Accountants to regulate the accounting and auditing profession in Algeria (Law No. 91-08, 1991, p. 652).

In 1996, Executive Decree No. 96-136 was issued to clarify professional ethical rules (Executive Decree No. 96-136, 1996, p. 04). This was followed by the establishment of the National Accounting Council, which aimed to improve professional accounting practices.

- **Third Stage (2010–Present):** Algeria adopted a modern financial accounting system that came into force in 2010. This system introduced a new framework for the practice of the accounting profession. In the same year, Law No. 10-01 was enacted, representing a fundamental reform of the auditing and accounting profession in Algeria. This law repealed Law No. 91-08 and abolished most of its provisions (Law No. 10-01, 2010).

Law No. 10-01 introduced substantial changes concerning the definition of the auditor, the assigned responsibilities, and the structure of supervisory professional bodies. Several implementation decisions were issued to determine the composition of the National Accounting Council, establish the National Order of Chartered Accountants, create the National Chamber of Statutory Auditors, set up the Institute of Specialized Accounting Education, and regulate the auditing profession in Algeria.

2. Regulatory Bodies Governing the Auditing Profession in Algeria

- **National Accounting Council:** The National Accounting Council was established in 1996 pursuant to Executive Decree No. 96-318. The Council operates under the chairmanship of the Minister of Finance or his representative. Its membership includes ministerial representatives holding at least the rank of director in central administration, the Head of the General Inspectorate, as well as representatives of the National Order of Chartered Accountants, the National Chamber of Statutory Auditors, and the National Organization of Certified Accountants. The Council aims to promote accounting standardization and harmonization, while organizing and supervising accounting professions.
- **National Council of the National Order of Chartered Accountants:** This Council was established under Executive Decree No. 11-25 of 2011, which defines its composition and functions. It consists of a representative of the Minister of Finance and nine members elected by the General Assembly from among those registered in the National Order of Chartered Accountants (Decree No. 11-25, 2011, p. 08). Under Law No. 10-01, the Council is responsible for accounting standardization, professional duties, service pricing, and regulatory texts governing the chartered accountant profession. According to Article 04 of the same decree, the Council is also entrusted with the administration and management of the National Order.
- **National Council of the National Chamber of Statutory Auditors:** Pursuant to Executive Decree No. 11-26 of 2011, this Council was formed and consists of a representative of the Minister of Finance and nine members elected by the General Assembly from among those registered in the National Chamber of Statutory Auditors (Executive Decree No. 11-26, 2011, p. 12). In accordance with Law No. 10-01, this Council carries out functions similar to those of the previous Council and is also responsible for managing the Chamber.
- **National Council of the National Organization of Certified Accountants:** Under Executive Decree No. 11-27 of 2011, the National Organization of Certified Accountants was established. It includes a representative of the Minister of Finance and nine members elected by the General Assembly and registered in the organization's official register (Executive Decree No. 11-27, 2011).

These regulatory bodies aim to ensure the continuous improvement of the auditing profession in Algeria and to update its practices in line with international standards.

3. Practice of External Auditing in Algeria

According to the laws and regulations in force in Algeria, the professional legally entrusted with auditing duties is the legal auditor, as well as the chartered accountant

holding the status of legal auditor. Therefore, this section focuses on the statutory auditor, as follows:

- **Definition of the Statutory Auditor:**

A statutory auditor is defined as any person who regularly performs, in his own name and under his own responsibility, the task of certifying the accuracy, regularity, and compliance of company and entity accounts with applicable legislation (Law No. 10-01, 2011, p. 09).

The legal auditor is also defined as any person who practices, in his own name and under his responsibility, the profession of certifying the accuracy and regularity of the accounts of commercial companies, including capital companies, in accordance with commercial law. This also applies to associations, social mutual organizations, and trade unions (Law No. 91-08, 1991, p. 654).

Accordingly, a statutory auditor is any qualified professional authorized to certify financial statements.

- **Duties of the Statutory Auditor:**

The statutory auditor performs the following duties (Gérard & Emmirich, 2007, p. 21):

- Certification of financial statements;
- Assessment of the entity's going concern;
- Disclosure to the General Assembly of significant and material errors identified during the audit engagement.

The legislator has added the following duties:

- Certifying the accuracy of annual accounts;
- Expressing an opinion on the internal control system;
- Expressing an opinion on agreements concluded between the entity and related institutions or bodies, whether the relationships are direct or indirect;
- Informing the General Assembly of any identified deficiencies.

Pursuant to Article 715 bis 04 of the Commercial Code, the statutory auditor is also responsible for:

- Verifying the regularity and accuracy of the company's accounts;
- Examining accounting records and financial documents;
- Verifying the accuracy of the Board of Directors' report and documents submitted to shareholders;

- Verifying inventory records and company accounts.
- **Responsibilities of the Statutory Auditor:**

The statutory auditor is required to exercise due professional care throughout all stages of the audit engagement. He is obliged to provide appropriate means rather than guarantee results. The main responsibilities of the statutory auditor, as set out in Articles 62, 63, and 75 of Law No. 10-01, include the following:

- **Civil liability:** The auditor bears responsibility for professional errors and the damages resulting from them.
- **Criminal liability:** The auditor is held accountable for any failure to comply with legal obligations. Penalties range from fines between 500 DZD and 2,000,000 DZD, and imprisonment ranging from two months to five years.
- **Disciplinary liability:** The auditor is subject to disciplinary accountability before the disciplinary committee of the National Accounting Council for any technical or ethical misconduct.

Accordingly, the auditor must fully assume these responsibilities when performing audit duties, with the objective of issuing a reliable report on the credibility of the audited entity's financial statements.

- **Steps of the Statutory Auditor's Work**

The work of the statutory auditor follows a set of essential steps. It begins with agreeing on the audit engagement and defining its scope. The process then moves to the planning stage, which represents one of the most critical phases of the audit. The success of the audit engagement depends largely on the effectiveness of planning. Planning enables the auditor to outline the main features of the audit mission, identify potential risks, and form an appropriate audit team.

Subsequently, the internal control system is examined and evaluated. This is followed by the audit of the company's accounts and the collection of sufficient and appropriate audit evidence. In the final stage, the statutory auditor issues the final report, which includes an objective and professional opinion on the reliability of the financial reports.

Field Study

To address the research problem, the study was applied to the field context through statistical analysis of the results obtained.

1. Field Study Methodology

The sampling method was adopted to collect primary data through the use of a questionnaire. The Statistical Package for the Social Sciences (SPSS version 27) was used to analyze the questionnaire responses.

- **Study Population and Data Collection and Analysis Method:**

The study relied on the descriptive and analytical approach. A sample was selected from the study population, which consisted of accountants, statutory auditors, and chartered accountants. The questionnaire was distributed electronically. A total of 45 valid responses were received and deemed suitable for statistical analysis.

The research instrument included a set of questions related to the research topic. These questions were organized into four main dimensions: activation of professional governance, enhancement of compliance within audit firms, strengthening of institutional cooperation, and the requirements of the Financial Action Task Force (FATF).

For data analysis, several appropriate statistical techniques were employed. These included Cronbach's alpha to assess the reliability and validity of the questionnaire, frequencies and percentages for descriptive analysis of personal variables, and correlation coefficients and simple linear regression to examine the nature and strength of the relationships between the study variables.

- **Questionnaire Preparation and Design**

The questionnaire was prepared and designed in accordance with established scientific methods commonly used in econometric measurement. This was achieved through careful item formulation and expert review. The first section covered personal information, including gender, academic qualification, years of professional experience, job position, and field of specialization. The second section included questions related to the independent variables, structured into three main dimensions. The first dimension addressed the activation of professional governance. The second focused on strengthening compliance within audit firms. The third concerned the variable of increased institutional cooperation. The fourth dimension included questions related to the GAFI group, which represents the dependent variable. A five-point Likert scale was used to measure respondents' perceptions of the questionnaire items.

- **Study Model**

The study relied on a simple regression model to test the research hypotheses. This model was used to measure the effect of the independent variables, represented by the three dimensions: professional governance activation, enhancement of compliance within audit firms, and increased institutional cooperation. The dependent variable

was represented by the fourth dimension, namely the requirements of the GAFI group.

2. Reliability and Validity of the Study Instrument

The reliability and validity of the study instrument were assessed after data collection by calculating Cronbach's alpha coefficient. This coefficient is one of the most widely used measures for assessing internal consistency among instrument items due to its high level of accuracy. It was therefore employed to evaluate the reliability of the questionnaire. The results were as follows:

Table (01): Results of Cronbach's Alpha Test

Sample Size	Cronbach's Alpha
45	0.731

Source: Prepared by the researcher based on SPSS version 27.

As shown in the table above, the reliability coefficient of the questionnaire reached 73%, which exceeds the acceptable threshold of 60%. Accordingly, the questionnaire is considered appropriate and suitable for achieving the objectives of the study.

3. Descriptive analysis of the Personal Characteristics of the Study Sample

The study sample was identified after collecting the personal data of its members. These data reveal several characteristics, as illustrated by the following results.

Table No. (02): Analysis of Personal and Professional Data

Variable	Category	Frequency	Percentage (%)
Gender	Male	30	66.7
	Female	15	33.3
	Total	45	100
Educational Qualification	Bachelor's Degree	21	46.6
	Master's Degree	8	17.8
	Postgraduate Studies	16	35.6
	Total	45	100
Years of Experience	Less than 5 years	8	17.8
	5–10 years	9	20
	More than 10 years	28	62.2
	Total	45	100
Profession	Chartered Accountant	22	48.9
	Certified Accountant	6	13.3

	Statutory Auditor	17	37.8
	Total	45	100
Specialization	Finance	5	11.1
	Accounting	29	64.4
	Auditing	8	17.8
	Other	3	6.7
	Total	45	100

Source: Prepared by the researcher based on statistical analysis using SPSS version 27.

The results presented in the above table illustrate the personal and professional characteristics of the study sample. The sample members display characteristics that show a high level of relevance to the subject of the study.

Male participants constitute the majority of the sample, with a percentage of 66.7%, compared to 33.3% for females. This distribution reflects the nature of the auditing profession, which continues to show a stronger male presence. This can be attributed to the professional requirements of the field in terms of effort and time commitment.

The distribution according to academic qualification indicates that most respondents possess a high level of education. The largest proportion holds a bachelor's degree (46.6%) and postgraduate qualifications (35.6%), followed by master's degree holders (17.8%). This educational level enhances the respondents' ability to understand the questionnaire dimensions and to provide accurate answers.

Regarding years of experience, the results reveal that respondents with more than ten years of experience represent approximately 62.2%, while those with experience ranging from five to ten years account for 20%. This indicates that the study sample has substantial professional experience, which contributes to enriching the study results.

With respect to profession and specialization, a clear concentration is observed among accounting experts (48.9%) and statutory auditors (37.8%), in addition to certified accountants (13.3%) specialized in accounting and auditing. Most respondents also hold academic specializations in accounting (64.4%) and auditing (17.8%), as well as finance (11.1%) and other fields such as taxation. This alignment with the nature of the study topic enhances the credibility and scientific objectivity of the findings.

4. Analysis of the responses of the Study Sample to the Questionnaire Axes

This section presents and analyzes the respondents' answers to the study instrument and determines the degree of agreement with the questionnaire statements. To

achieve this objective, the arithmetic mean and standard deviation were calculated for each questionnaire axis, as shown in the table below.

- **Analysis of the Responses of the Study Sample to the First Axis**

The responses of the study sample regarding the first axis are presented as follows:

Table No. (03): Analysis of the Responses of the Study Sample According to the First Axis

Number	First axis: Fragmentation of professional governance	arithmetic mean	standard deviation	Degree of approval
1	The auditing profession in Algeria lacks a unified professional vision among the bodies regulating the profession.	3.96	0,475	High grade
2	Professional practices in Algeria are characterized by inconsistency due to a weak regulatory framework, complex laws, and a failure to keep pace with modern developments.	3.87	0.625	High grade
3	The auditing profession in Algeria lacks an effective central authority for supervising and controlling audit quality.	4.29	0,458	Very high grade
4	The auditing profession in Algeria suffers from a lack of updated professional ethics rules, including those related to digital transformation, which weakens the quality of professional practices.	4.11	0.532	High grade
5	The auditing profession in Algeria lacks strict disciplinary and penal systems, which weakens oversight of professional compliance and respect for auditing standards.	3.84	0,767	High grade
6	The absence of an effective national council and regional councils is noticeable, leading to centralized decision-making and implementation.	4.11	0.318	High grade
7	The lack of representation of the auditing profession before international authorities and bodies is noticeable, which reduces the profession's ability to protect its interests and contribute to strengthening national financial governance.	4.16	0,601	High grade
/	Total	4.05	0.54	degree

Source: Prepared by the researcher based on SPSS version 27.

Based on the results presented in the table above, the overall arithmetic mean of the axis reached 4.05, with a standard deviation of 0.54. This indicates that most members of the study sample agree with the statements of the axis as a whole.

When examining the individual statements of the axis, Statement (03) recorded the highest contribution to the overall mean, with an arithmetic mean of 4.29 and a standard deviation of 0.458. This reflects a strong consensus among respondents that the auditing profession in Algeria lacks an effective centralized body for supervision and quality control.

Statement (07) achieved an arithmetic mean of 4.16, which confirms that respondents agree that there is a complete absence of official representation of the auditing profession in Algeria before national authorities and international bodies. This situation limits the profession's ability to protect its interests and to contribute to strengthening national financial governance.

Statements (04) and (06) both obtained an arithmetic mean of 4.11. This strong agreement indicates among respondents that the auditing profession in Algeria suffers from a lack of updates to ethical standards, which negatively affects the quality of professional practices and confidence in audit outcomes. In addition, the absence of an effective national council and specialized regional councils leads to centralized decision-making and centralized implementation.

Statement (01) recorded an arithmetic mean of 3.96, indicating respondents' agreement regarding the absence of a unified professional vision among professional organizations in Algeria. Statements (05) and (02) recorded the lowest arithmetic means among all statements, with values of 3.84 and 3.87, respectively. This confirms respondents' agreement that professional practices in Algeria lack consistency due to a weak reference framework, complex legal texts, and insufficient adaptation to recent developments. It also reflects the limited effectiveness and strictness of disciplinary and punitive systems, which reduces oversight of professional compliance.

• Analysis of the Responses of the Study Sample to the Second Axis

The responses of the study sample concerning the second axis are presented as follows:

Table No. (04): Analysis of the Responses of the Study Sample According to the Second Axis

Number	Second axis: Obstacles to compliance within auditing firms	arithmetic mean	Standard deviation	Degree of approval

01	Audit firms do not rely on risk maps for clients and tasks, and it is difficult to identify the true beneficiary..	3.93	0.539	High grade
02	Lack of documentation of procedures and working papers within auditing offices.	3.67	0.674	High grade
03	The absence of a fee schedule affects the responsibility of auditing firms to assign a dedicated anti-money laundering officer, given the lack of legal and professional standing of this officer..	4.07	0.688	High grade
04	Failure to consider the issue of money laundering when planning the audit process.	4.07	0,837	High grade
05	Weakness in conformity and modernization with international auditing standards.	4.00	0,707	High grade
06	Weak internal controls and the absence of mechanisms for detecting and reporting suspicious activity..	4.33	0,477	Very high grade
07	Weak digital transformation within the profession.	4.27	0,863	Very high grade
08	Lack of continuous training and documentation of auditors' competencies.	4.38	0,576	Very high grade
/	Total	4.09	0.67	High grade

Source: Prepared by the researcher based on SPSS version 27.

Based on the results presented in the table above, the axis recorded an arithmetic mean of 4.09, with a standard deviation of 0.67. This confirms that the most of respondents agreed with the statements of the axis.

Examining the individual statements, Statement (08) recorded the highest mean, with a value of 4.38 and a standard deviation of 0.576. This indicates complete consensus among respondents that there is a lack of continuous training for auditors and that their competencies are not properly documented. Statement (06) obtained an arithmetic mean of 4.33, reflecting unanimous agreement that internal control is weak and that mechanisms for detecting and reporting suspicious activities are absent. This significantly reduces compliance within audit firms. Statement (07) showed a mean of 4.27, confirming respondents' unanimous agreement that digital transformation in the auditing profession remains weak, despite being mandatory rather than optional.

Statements (03), (04), and (05) recorded means of 4.07, 4.00, and 4.07, respectively. This indicates consensus that the absence of a fee scale negatively affects the presence and activation of a designated anti-money laundering officer within audit firms. Moreover, auditors do not adequately consider money laundering risks during audit planning, and there is insufficient adherence to international auditing standards, which undermines compliance within audit firms.

Finally, Statements (02) and (01) received general agreement, highlighting a complete absence of reliance on client risk maps, significant difficulties in identifying the ultimate beneficiary by auditors, and a lack of documentation of procedures and working papers within audit firms. These factors are considered among the main obstacles to achieving compliance in audit firms.

- **Analysis of the responses of the Study Sample to the Third Axis**

The responses of the study sample regarding the third axis are presented as follows:

Table No. (05): Analysis of the Responses of the Study Sample According to the Third Axis

Number	Third axis: Weak institutional cooperation	arithmetic mean	standard deviation	Degree of approval
01	There is a significant lack of strategic partnerships with universities, including those specializing in information technology.	4.16	0,520	High grade
02	There is a significant lack of information flow between auditors and the Bank of Algeria, due to a lack of cooperation between them..	4.29	0,589	Very high grade
03	Lack of coordination and cooperation between auditing professionals and the Financial Intelligence Unit	3.93	0,986	High grade
04	Poor coordination with the General Directorate of the Treasury and Public Accounting.	4.07	0,863	High grade
05	Lack of international cooperation with foreign experts.	4.29	0.661	Very high grade
06	Weak cooperation with judicial and tax authorities.	4.07	0,837	High grade
07	The auditor's work is often restricted to routine areas, avoiding complex tasks and dealing with them superficially, such as forensic accounting..	3.56	1,216	High grade
/	the total	4.05	0.81	High grade

Source: Prepared by the researcher based on SPSS version 27.

Based on the results presented in the table above, the axis as a whole received a high level of agreement and consensus from all respondents. The arithmetic mean for the axis was 4.05, with a standard deviation of 0.810.

Statements (02) and (05) most contributed to the high mean of the axis. Both statements recorded the same highest mean of 4.29, with minimal standard deviations. This indicates strong agreement among respondents that there is a significant lack of information flow between auditors and the Bank of Algeria due to limited communication and cooperation. Additionally, there is a notable deficiency in international collaboration with foreign experts.

Statement (01) recorded a mean of 4.16, confirming respondents' agreement that there is a significant gap in establishing strategic partnerships with universities, including those specialized in information technology. Such partnerships could foster institutional collaboration between universities and the economic and social sectors, positively impacting the auditing profession, especially within the context of ongoing digital transformation.

Statements (04) and (06) both recorded a mean of 4.07, with small standard deviations. This reflects unanimous agreement among respondents that coordination between audit firms and the General Directorate of Treasury and Public Accounting is weak. This negatively affects institutional collaboration and each party's role in promoting national financial governance. Furthermore, limited cooperation between audit firms and judicial and tax authorities contributes to higher risks of tax evasion.

Statement (03) recorded a mean of 3.93, confirming respondents' agreement that coordination and collaboration between audit firms and the Financial Intelligence Unit are weak. This undermines the effective and timely flow and exchange of information, creating opportunities for suspicious violations.

Finally, Statement (07) obtained a mean of 3.56. This agreement indicates among respondents that auditors' work has become largely routine, avoiding complex tasks or handling them superficially, due to insufficient institutional cooperation.

• Analysis of the Responses of the Study Sample to the Fourth Axis

The responses of the study sample regarding the fourth axis are presented as follows:

Table No. (06): Analysis of the Responses of the Study Sample According to the Fourth Axis

Number	Fourth axis: Entry into the Financial Action Task Force's grey list FATF	arithmetic mean	standard deviation	Degree of approval
01	Algeria's inclusion on the Financial Action Task Force's grey list (FATF) presents a major economic and political challenge.	4.20	0,405	High grade
02	Algeria's inclusion on the grey list reflects deficiencies in its national compliance system..	3.49	0.695	High grade
03	There are shortcomings in the legal framework relating to combating financial crimes in Algeria (money laundering and combating the financing of terrorism)..	3.67	0.674	High grade
04	Algeria's inclusion on the grey list indicates a loss of confidence in Algeria among its international economic	4.11	0,573	High grade

	partners..			
05	Algeria's inclusion on the Financial Action Task Force's grey list indicates a lack of transparency in non-financial professions in Algeria and its non-compliance with requirements for combating money laundering and terrorist financing..	3.78	0,670	High grade
06	Algeria faces numerous institutional and technical challenges that hinder the effective implementation of the FATF recommendations.	4.09	0,557	High grade
the total		3.89	0.59	High grade

Source: Prepared by the researcher based on SPSS version 27.

The statistical results for the arithmetic means and standard deviations of the axis indicate a high level of agreement among respondents with the presented statements. The overall mean for the axis was 3.89, with a standard deviation of 0.59.

Statement (01) recorded the highest mean, 4.2, with a standard deviation of 0.405. This reflects strong agreement that Algeria's inclusion on the Financial Action Task Force (FATF) gray list represents a significant economic and political challenge that must be addressed and resolved as quickly as possible. Statement (04) obtained a mean of 4.11, indicating strong agreement that Algeria's placement on the gray list reflects a loss of trust among international economic partners.

Statement (06) recorded a mean of 4.09, confirming agreement that Algeria faces numerous institutional and technical challenges in fully implementing all FATF recommendations. Statements (05), (03), and (02) recorded means of 3.78, 3.67, and 3.49, respectively. These results indicate high level of agreement that there is a significant lack of transparency in non-financial professions in Algeria and an insufficient legal framework for combating financial crimes, negatively affecting the national compliance system.

Overall, the results indicate a clear awareness among respondents of structural and organizational deficiencies that affect the quality and effectiveness of the auditing profession in Algeria. Regarding fragmentation of professional governance, the results show a high level of agreement on the weak unified professional vision, the absence of a national council and regional councils, and the lack of effective centralization for supervision and quality control. Additionally, professional ethical standards are outdated, especially in the context of digital transformation, accompanied by weak disciplinary and punitive systems, which negatively affects the quality of professional and ethical practices.

Regarding compliance within audit firms, the results indicate a high level of agreement, particularly regarding weak internal controls, absence of mechanisms for detecting suspicious activities, and insufficient ongoing training and documentation

of auditors' competencies. This points to a fragile compliance system with limited ability to meet anti-money laundering and anti-terrorism financing requirements.

Concerning institutional cooperation, the results reveal significant deficiencies in coordination and collaboration between auditing professionals and various institutional and national or international experts, including accounting and regulatory bodies, judicial and tax authorities, and universities. This limits the prevention and supervisory effectiveness of the profession.

The findings related to Algeria's inclusion on the FATF gray list indicate widespread awareness among respondents of the negative consequences, especially the loss of international economic partners' trust. Additionally, there are deficiencies in the national compliance system, particularly concerning non-financial professions and the legal framework for financial crimes, alongside recognition of institutional and technical challenges that hinder full implementation of FATF recommendations in the Algerian context.

These results reflect the urgent need for a comprehensive reform of professional governance, strengthening compliance in audit firms, and enhancing both domestic and international cooperation in line with FATF recommendations.

5. Testing the study hypotheses

Before testing the research hypotheses, the data were examined for compliance with the assumptions required for linear regression analysis.

Regarding the assumption of normality of the residuals, it was not strictly applied in this study because the sample size reached 45, exceeding the minimum statistically required size. According to the central limit theorem, probability distributions tend toward normality as sample size increases.

The assumption of independence of residuals was verified using the Durbin–Watson test on the first regression model, which yielded a value of 2.04. This falls within the statistically acceptable range, indicating no autocorrelation among the residuals, thus validating the model for estimation and hypothesis testing.

• Results of Testing the First Hypothesis:

The first hypothesis examines the effect of fragmentation of professional governance on Algeria's inclusion in the FATF gray list, at a significance level of 0.05. The null and alternative hypotheses were formulated as follows:

- **Null hypothesis (H0):** Fragmentation of professional governance has no statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- **Alternative hypothesis (H1):** Fragmentation of professional governance has a statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

The results of the analysis of variance for simple regression, the correlation coefficient, the coefficient of determination, and the parameters of the simple linear regression model are presented in the following table:

Table No. (07): Results of Testing the First Hypothesis

Model Summary						
Correlation coefficient R	Coefficient of determination R 2	Standard error of estimation	value"F"	Degree of freedom1	Value p	
0.820	0.673	0.173	88.373	1.43	< 0.001	
Model parameters						
	The constant	coefficientB	standard error	BetaBêta	Value t	Value p
fragmentation of Professional governance	0.218	0.950	0.101	0,820	9.401	< 0.001

Source: Prepared by the researcher based on SPSS version 27.

The first hypothesis, concerning the effect of fragmentation of professional governance on Algeria's inclusion in the FATF gray list, was tested using simple linear regression analysis. The model results revealed a moderately positive coefficient correlation, $R = 0.820$, and a coefficient of determination $R^2 = 0.665$. This indicates that fragmentation of professional governance accounts for approximately 66% of the variation in Algeria's inclusion in the FATF gray list. The standard error of the estimate confirms the acceptable accuracy of the model.

The analysis of variance results showed $F = 88.73$ with 1.43 degrees of freedom and a significance level $p = 0.001$, indicating that the model is statistically significant at the 0.05 level.

Regarding the regression coefficient, $B = 0.950$, with $t = 9.40$ and $p = 0.001$, indicates that each one-unit increase in fragmentation of professional governance is associated with a 0.950 increase in the likelihood of Algeria entering the FATF gray list. This relationship is statistically significant.

Therefore, it can be concluded that the dispersion of professional governance in the auditing profession was one of the main factors contributing to Algeria's inclusion in the FATF gray list. This underscores the importance of developing policies and procedures related to professional governance in auditing to strengthen national

compliance with FATF recommendations regarding anti-money laundering and counter-terrorism financing.

Accordingly, the regression equation can be expressed as follows:

$$Y = 0.218 + (0,950)X$$

Source: Prepared by the researcher based on SPSS version 27.

Based on the regression analysis and the results presented in the table above, the alternative hypothesis is accepted, and the null hypothesis is rejected. This confirms the existence of a statistically significant relationship and impact of fragmentation of professional governance on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

•Results of Testing the Second Hypothesis:

The second hypothesis examines the effect of compliance obstacles within audit firms on Algeria's inclusion in the FATF gray list, at a 0.05 significance level. The null and alternative hypotheses were formulated as follows:

- **Null hypothesis (H0):** Compliance obstacles within audit firms have no statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- **Alternative hypothesis (H1):** Compliance obstacles within audit firms have a statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

To test the hypothesis, simple linear regression analysis was used to determine the extent to which compliance obstacles within audit firms influence Algeria's inclusion in the FATF gray list. The results are presented in the following table:

Table No. (08): Results of the Simple Linear Regression Analysis for the Second Hypothesis

Model Summary						
Correlation coefficient R	Coefficient of determination R2	Standard error of estimation	Value "F"	Degree of freedom	valuep	
0.752	0.565	0.19964	55.952	1.43	< 0.001	
Model parameters						
	The constant	coefficientB	standard error	BetaBêta	Value t	valuep
Enhancing compliance within audit	1.442	0.641	0.086	0.752	7.480	<0.001

firms						
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Source: Prepared by the researcher based on SPSS version 27.

The second hypothesis, concerning the effect of compliance obstacles within audit firms on Algeria's inclusion in the FATF gray list, was tested using simple linear regression analysis, following the same methodology applied previously. The model results showed a correlation coefficient of $R = 0.752$ and a coefficient of determination of $R^2 = 0.565$. This indicates that compliance obstacles within audit firms explain approximately 56% of the variation in Algeria's inclusion in the FATF gray list. The standard error of the estimate was 0.019964, reflecting acceptable model accuracy.

The analysis of variance results indicated $F = 55.952$ with 1.43 degrees of freedom and a significance level of $p = 0.001$, confirming that the model is statistically significant at the 0.05 level. The regression coefficient was $B = 0.641$, with $t = 7.480$ and $p = 0.001$, indicating that a one-unit increase in compliance obstacles within audit firms is associated with a 0.641 increase in the factors leading to Algeria's inclusion in the FATF gray list. This relationship is strongly statistically significant.

Accordingly, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This confirms that compliance obstacles within audit firms contribute significantly to Algeria's inclusion in the FATF gray list. These findings highlight the importance of developing robust internal control systems, documenting procedures, and strengthening professional responsibilities to combat money laundering and terrorism financing within audit firms.

The regression equation for the model can be expressed as follows:

$$Y = 1.442 + (0.641) X$$

Source: Prepared by the researcher based on SPSS version 27.

Based on the regression analysis and the results presented in the table above, the null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms the existence of a statistically significant relationship and effect of compliance obstacles within audit firms on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

•Results of Testing the Third Hypothesis

The third hypothesis examines the effect of weak institutional cooperation on Algeria's inclusion in the FATF gray list at a 0.05 significance level. The null and alternative hypotheses were formulated as follows:

- **Null hypothesis (H0):** Weak Institutional cooperation has no statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- **Alternative hypothesis (H1):** Weak Institutional cooperation has a statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

Following the same methodology used for testing the first and second hypotheses, simple linear regression analysis was applied to determine the extent to which weak institutional cooperation affects Algeria's inclusion in the FATF gray list. The results are presented in the following table:

Table No. (09): Results of the Simple Linear Regression Analysis for the Third Hypothesis

Model Summary						
Correlation coefficientR	Coefficient of determination R2	Standard error of estimation	value"F"	Degree of freedom 1	Value p	
0.783	0,613	0.18837	68.141	1.43	<0.001	
Model parameters						
	The constant	coefficientB	standard error	BetaBêta	Value t	Value p
Weak Cooperation institutional	2.450	0.390	0.047	0.783	8.255	<0.001

Source: Prepared by the researcher based on SPSS version 27.

The third hypothesis, concerning the effect of weak institutional cooperation on Algeria's inclusion in the FATF gray list, was tested using simple linear regression analysis, following the same methodology applied previously.

The model results showed a correlation coefficient of $R = 0.783$ and a coefficient of determination $R^2 = 0.613$, indicating that weak institutional cooperation explains approximately 61% of the variation in Algeria's inclusion in the FATF gray list. The standard error of the estimate was 0.48, reflecting acceptable model accuracy.

The analysis of variance results showed $F = 68.141$ with 1.43 degrees of freedom and a significance level of $p = 0.001$, confirming that the model is statistically significant at the 0.05 level.

The regression coefficient was $B = 0.390$, with $t = 8.255$ and $p = 0.001$, indicating that a one-unit increase in weak institutional cooperation is associated with a 0.390 increase in the factors contributing to Algeria's inclusion in the FATF gray list. This relationship is strongly statistically significant.

Accordingly, the regression equation for the model can be expressed as follows:

$$Y = 2.450 + (0.390)X$$

Source: Prepared by the researcher based on SPSS version 27.

Based on the regression analysis and the results presented in the table above, the null hypothesis (H0) can be rejected, and the alternative hypothesis (H1) can be accepted. This confirms that weak institutional cooperation among auditing practitioners, national institutions, and international bodies contributed significantly to Algeria's inclusion in the FATF gray list. These findings highlight the urgent need to develop coordination and communication mechanisms among the relevant parties to ensure timely information flow and to address the challenges hindering the implementation of FATF recommendations on anti-money laundering and counter-terrorism financing.

• Result Of Testing the Fourth Hypothesis

The fourth hypothesis examines the effect of deficiencies in the auditing profession in Algeria on the country's inclusion in the FATF gray list at the 0.05 significance level. The null and alternative hypotheses are formulated as follows:

- **Null hypothesis (H0):** Deficiencies in the auditing profession have no statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- **Alternative hypothesis (H1):** Deficiencies in the auditing profession have a statistically significant effect on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

Following the same methodology applied for the previous hypotheses, simple linear regression analysis will be used to determine the extent to which deficiencies in the auditing profession contribute to Algeria's inclusion in the FATF gray list. The results are presented in the following table:

Table No. (10): Results of the Simple Linear Regression Analysis for the Fourth Hypothesis

Model Summary					
Correlation coefficient R	Coefficient of determination R ²	Standard error of estimation	value "F"	Degree of freedom 1	value p
0.975	0.952	0.0669	843.700	1.43	< 0.001

Model parameters						
	The constant	Coefficient B	standard error	BetaBêta	Value t	valuep
Shortcomings of the auditing profession	0.370	0.903	0.031	0.975	29.047	< 0.001

Source: Prepared by the researcher based on SPSS version 27.

The results of the simple linear regression analysis presented in the table above indicate a statistically significant effect of deficiencies in the auditing profession on Algeria's inclusion in the FATF gray list at the 0.05 significance level. The correlation coefficient (R) was 0.975, reflecting a relatively weak relationship between the variables. The coefficient of determination (R^2) was 0.952, indicating that deficiencies in the auditing profession explain approximately 95% of the variation in Algeria's inclusion in the FATF gray list, while the remaining 5% are attributable to other variables not included in the model.

The F-statistic was $F = 843.7$ with a significance level of $p = 0.001$, confirming that the model as a whole is statistically significant. The regression coefficient (B) for deficiencies in the auditing profession was 0.903, with $t = 29.047$ and $p = 0.001$, indicating that deficiencies in the auditing profession have a statistically significant impact on Algeria's inclusion in the FATF gray list. Specifically, a one-unit increase in deficiencies in the auditing profession is associated with a 0.903 increase in the factors leading to Algeria's inclusion in the gray list.

Accordingly, the regression equation for the model can be expressed as follows:

$$Y = 0.370 + (0,903)X$$

Based on the regression analysis, the null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms the existence of a statistically significant effect of deficiencies in the auditing profession on Algeria's inclusion in the FATF gray list at the 0.05 significance level.

CONCLUSION

In conclusion, this study addressed the auditing profession, which represents a key pillar of the compliance system aimed at combating money laundering and terrorist financing. Auditing plays a central role in enhancing transparency, improving financial disclosure quality, and detecting illicit activities within institutions at an early stage.

The study found that deficiencies in the auditing profession—whether in terms of weak governance, insufficient compliance, or poor institutional cooperation—increase the likelihood of suspicious financial transactions being processed without timely reporting. This, in turn, negatively affected Algeria's ability to comply with international standards imposed by the Financial Action Task Force (FATF), leading to its inclusion in the gray list.

The main findings of the study are summarized as follows:

- There is a statistically significant effect of fragmented professional governance on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- There is a statistically significant effect of obstacles to compliances within audit firms on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- There is a statistically significant effect of weak institutional cooperation on Algeria's inclusion in the FATF gray list at the 0.05 significance level.
- There is a statistically significant effect of deficiencies in the auditing profession on Algeria's inclusion in the FATF gray list.
- Major compliance obstacles with FATF recommendations include lack of financial transparency, inadequate tracking of cash flows, and insufficient implementation of due diligence and reporting mechanisms for suspicious transactions.
- Increased deficiencies in the auditing profession reduce the overall effectiveness of the supervisory system, which undermines the state's credibility before international bodies and affects its evaluation in periodic FATF compliance reports.
- Algeria's continued presence on the FATF gray list is explained by professional and organizational deficiencies in the auditing profession, creating a gap between announced legislation and its practical application.
- Fragmented professional governance, including both auditing laws and regulatory bodies, is among the main reasons for Algeria's inclusion in the FATF gray list.
- Adequate attention to client risks and money laundering during audit planning is essential.
- Lack of effective supervision and control over audit quality is a major factor contributing to Algeria's inclusion in the gray list.
- Limited coordination between external auditors, regulatory bodies, and financial intelligence units reduces the effectiveness of anti-money laundering systems, increasing the likelihood of continued international restrictions or observations on the country.
- Difficulty in identifying the ultimate beneficiary is one of the main obstacles to compliance within audit firms, especially for financial transactions involving large cash amounts or high-risk sectors.

Weak institutional cooperation limits the auditor's work and professional experience, negatively impacting the quality of professional practices.

Study Recommendations

Based on the findings of this study, the following recommendations are proposed to support Algeria in exiting the FATF gray list:

- **Reform professional governance** to unify actors within the auditing profession and harmonize practices and regulatory bodies.
- **Organize structured institutional cooperation** based on the exchange of knowledge, expertise, and information to consolidate efforts aimed at leaving the gray list.
- **Develop an integrated information exchange system** between public and private entities to ensure procedural alignment and achieve maximum efficiency in combating money laundering and terrorist financing.
- **Implement joint training programmes** to strengthen the skills of auditors and all relevant institutions across sectors, while increasing awareness of international standards and modern methods for combating money laundering and terrorist financing.
- **Leverage information systems and intelligent monitoring tools** to analyze risks and detect suspicious transactions more rapidly and effectively.
- **Establish clear accountability and oversight mechanisms** to ensure sustainable adherence by all professionals to international standards.
- **Engage in regional and international cooperation networks** to exchange expertise and best practices in combating money laundering and terrorist financing.
- **Conduct periodic reviews of policies and programs** at the auditing profession level and across all relevant institutions to identify strengths and weaknesses and continuously improve performance.

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