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The Role of Auditing in Rationalizing Financing Policies in Algeria: Toward Integrating Audit Expertise into the Ex-Ante Evaluation of Projects and Mitigating Financing Risks

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Project financing; economic feasibility; accounting auditing..

ABSTRACT

This study highlights the extent to which accounting audit techniques contribute to the ex-ante evaluation of financed projects in Algeria, as a tool to support the effectiveness of financing policies and achieve economic objectives by identifying the risks and obstacles facing financed projects. It sheds light on the standards and techniques relied upon in assessing the financial and operational risks of projects. Furthermore, the study aims to demonstrate the feasibility of utilizing audit expertise to improve project appraisal procedures prior to granting financing, specifically by proposing the inclusion of an auditor within project financing review committees. This contributes to enhancing the quality of financing decisions, rationalizing the use of financial resources, and mitigating default risks

1. INTRODUCTION

Financing and operational policies represent one of the fundamental pillars upon which a strong economy is built in developed countries, particularly in implementing the state's developmental orientations and achieving strategic objectives. Providing financial resources constitutes the first and essential prerequisite for translating economic plans into viable projects capable of creating added value, generating employment opportunities, and improving production and service levels. However, the impact of these policies should not be confined to private economic enterprises; rather, it must extend to the public sector as well through the financing of investment projects, infrastructure, and economic and social facilities. From this standpoint, financing has become a primary instrument for directing economic activity and stimulating investment. Nevertheless, its effectiveness is not measured solely by the volume of mobilized resources or the number of financed projects, but rather by the capacity of these projects to achieve the objectives for which they were established, ensure their continuity, and generate appropriate economic and financial returns.

In the Algerian context, this commitment has materialized through the creation of specialized agencies and mechanisms to finance and accompany projects—both in the private sector, via the

National Agency for Support and Development of Entrepreneurship (NESDA), the National Agency for Microcredit Management (ANGEM), and startup support and financing mechanisms, and in the public sector, through public investment projects aimed at developing infrastructure, improving public services, and strengthening productive capacities. Simultaneously, the banking sector has been entrusted with a pivotal role in mobilizing financial resources and channeling them toward financing economic activity for both private and public enterprises. This role is corroborated by the Annual Report of the Bank of Algeria, which recorded an increase in outstanding loans granted to the economy by the banking sector of 5.6% over two consecutive years (2023 and 2024), with a more pronounced growth rate for the private sector (9.3%) compared to the public sector (4.5%). In terms of credit volume, loans directed to the public and private sectors accounted for over 40.6% and 59.4%, respectively, reflecting the significance of banking intermediation in financing the various components of national economic activity

Within this context, there is a pressing need to develop control mechanisms over financing decisions by shifting from a narrow focus on verifying the administrative and legal completeness of application files toward a deeper assessment of the financial and operational risks associated with projects. This requires moving beyond a formal inspection of documents and feasibility studies to testing the realism of their underlying assumptions, verifying the proportionality of investment costs to actual needs, and analyzing projected cash flows. Such an orientation

aligns with the international evolution of the auditing profession, which is no longer limited to inspecting transactions and verifying the accuracy of financial information, but now relies on risk-based approaches, due diligence techniques, performance analysis, and the assessment of internal controls and going-concern viability. Accordingly, the financial, accounting, and analytical expertise of the auditor can be leveraged at the pre-financing stage—either by integrating the auditor into project review and approval committees or by commissioning a specialized audit report that tests the realism of submitted studies and identifies weaknesses and risks that could threaten project success

This approach is predicated on deploying practical expertise for the early detection of financial and operational imbalances in projects by verifying the realism of costs, cash flows, and continuity risks. This assists financing committees in improving their decisions and avoiding risks that could lead to beneficiary default, loan classification, and the constitution of specific provisions by banks and financial institutions. Consequently, integrating the auditor into the ex-ante evaluation of projects serves as a preventive mechanism to rationalize financing and improve credit portfolio quality.

Research Problem: Based on the foregoing, the main research problem of this study is formulated as follows: How can accounting audit techniques be utilized to develop the ex-ante evaluation mechanisms of financed projects in Algeria?

From this main question, the following sub-questions arise:

What is the role of financed projects in supporting operational policies and achieving economic objectives in the public and private sectors in Algeria?

What are the main risks and obstacles facing financed projects, and how do they affect loan portfolio quality and provisioning at banks and financial institutions?

What are the key modern standards and techniques relied upon internationally by auditors to assess the financial and operational risks of projects?

How can audit expertise be leveraged to improve project review and approval procedures, and what is the proposed framework for integrating the auditor into specialized committees?

2. OBJECTIVES OF THE STUDY

This study aims to analyze the role of financed projects in supporting operational policies in Algeria by identifying the primary risks and obstacles they encounter and their repercussions on financing institutions, particularly those related to receivable classification and provisioning. It also seeks to examine modern auditing techniques and practices and explore the possibility of applying them to project appraisal prior to granting financing, culminating in a proposed framework for integrating the auditor's professional expertise into project review and approval committees to enhance financing decision quality and rationalize financial resource allocation.

Significance of the Study

The significance of this study lies in its connection to the effectiveness of financing policies and their repercussions on economic and financial performance in Algeria, particularly given the risks confronting projects benefiting from financing and support schemes. It also derives importance from addressing a proposed role for the auditing profession at the pre-financing stage, leveraging the auditor's professional expertise and financial and operational analysis techniques for the early detection of potential imbalances. This may contribute to improving the quality of financed projects, curbing credit default risks, and containing the escalation of provisions at banks and financial institutions.

Structure of the Study

To cover all aspects of the topic, the study is divided into three main axes:

Axis One: Financed projects and their role in driving developmental policies in the public and private sectors in Algeria.

Axis Two: Auditing techniques in the international environment, through modern professional standards and practices adopted in identifying and assessing financial and operational risks.

Axis Three: Utilizing these techniques to develop ex-ante evaluation mechanisms for financed projects in Algeria.

Axis One: Financed Projects and Their Role in Driving Developmental Policies in the Public and Private Sectors in Algeria

Financing policies have been closely tied to the state's developmental policies, given that the goal of development is to secure a decent standard of living for citizens by creating job opportunities for those able and seeking work, in addition to developing infrastructure and improving public services. Accordingly, the effectiveness of operational policies depends on the availability of appropriate financing and its allocation to uses that generate economic and social value. This relationship manifests across three core dimensions:

First Dimension – The Role of Financing in Creating Productive Capacities: Through its dedicated channels, financing provides viable solutions for applicants by enabling them to expand economic activity—whether through acquiring new assets, modernizing existing ones, or conducting maintenance. It also supplies the financial resources required to manage operating expenses, such as purchasing raw materials, paying wages, and covering operational outlays, thereby ensuring the continuity of the business cycle. This is substantiated by indicators released by the Bank of Algeria and the National

Office of Statistics (ONS), which show that gross fixed capital formation recorded real growth of 9.8% in 2024, reaching DZD 12,707.7 billion compared to DZD 11,020.5 billion in 2023. In the same vein, outstanding loans granted to the economy by the banking sector reached DZD 11,256.5 billion by the end of 2024—an increase of 5.3%—distributed between the private sector, which received DZD 6,688.9 billion, and the public sector, which received DZD 4,567.6 billion. This underscores the importance of bank financing in supporting long-term investments and creating productive assets, particularly in manufacturing and construction.

Second Dimension – Financing, Employment Generation, and Economic Development: This dimension links financing to supporting employment and entrepreneurial initiative. The National Office of Statistics reported the creation of approximately 450,000 jobs during 2024, with the unemployment rate stabilizing at 9.7% by year-end following statistical adjustments. Furthermore, the Ministry of the Knowledge Economy indicated that NESDA financed nearly 3,500 projects during 2025, while the number of startups in Algeria exceeded 13,000 by the end of the same year. ANGEM also reported that 50% of the projects it financed during 2024 benefited rural women and homemakers. These indicators highlight the multifaceted economic and social dimensions of financing in encouraging enterprise creation, expanding employment opportunities, and promoting the economic inclusion of targeted groups.

Third Dimension – Financing and Improving the Efficiency of Public Services and Projects: In the public sector, this is reflected in the volume of resources allocated to capital expenditures, which reached DZD 3,332.44 billion in 2024—an increase of 11.17% compared to the previous year, representing 9.31% of GDP. These investment efforts have positively impacted several service sectors, such as housing, which experienced a strong revival during this period with the delivery of 449,832 housing units across various legal formulas, achieving growth of 36.05% and reflecting an improvement in citizens' social conditions.

Regarding project financing mechanisms in the public and private sectors in Algeria, the sector has undergone a comprehensive restructuring affecting its operating agencies, through the creation of mechanisms targeting different categories of project holders—whether micro-enterprises, income-generating activities, or innovation-driven startups:

Micro-Project Support and Financing Mechanisms (NESDA and ANGEM): Among the most prominent agencies contributing to micro-project financing in Algeria are NESDA and ANGEM. The former targets the creation and expansion of micro-enterprises, while the latter focuses on supporting small income-generating activities, particularly for low-income or unstable-income groups. Both agencies rely on financing formulas that combine the beneficiary's personal contribution, public financial support, and bank financing, varying by project nature, funding ceilings, and eligibility conditions. Under NESDA, tripartite financing can reach DZD 10 million, distributed among the beneficiary, the agency, and the bank; whereas ANGEM provides financing directed toward purchasing raw materials or establishing activities, with tripartite financing reaching up to DZD 1 million under applicable conditions and formulas.

Startup Financing: Startups differ from traditional enterprises due to the inherently innovative nature of their activities—developing new products, services, or business models. Consequently, they require financing formulas aligned with the risk profile of innovation and their potential for growth and scaling. Algeria laid the cornerstone for its startup support framework by issuing Executive Decree No. 20-254 dated September 15, 2020, establishing a national committee to award three distinct startup-related labels: the Startup Label, the Innovative Project Label, and the Business Incubator Label. Subsequently, Decree No. 25-311 dated December 1, 2025, added the Scale-up Enterprise label.

Financing for this category of enterprises is provided through venture capital funds, notably the Algerian Startup Fund (ASF), established pursuant to Decree No. 21-303 dated August 1, 2021. Its resources are mobilized from state subsidies, proceeds from fiscal and quasi-fiscal duties, donations and bequests, and other resources and contributions. The fund covers the financing of feasibility studies, business plan development, technical assistance, prototype development costs, and training, in addition to startup incubation and promoting the startup ecosystem. Importantly, appraising such projects differs from traditional corporate evaluation due to factors such as the frequent lack of sufficient historical financial data, the difficulty of forecasting future revenues, and the technological and commercial risks associated with marketing innovation. Evaluating them therefore requires examining the business model, product marketability, financing needs, cash burn rates, and potential for growth and continuity.

Public Sector Project Financing Mechanisms: Public projects are financed through appropriations allocated within the state budget and local government budgets, directed toward investment projects, infrastructure, and public facilities and services. Organic Law No. 18-15 dated September 2, 2018, relating to finance laws, regulates the mechanisms for allocating appropriations and executing expenditures by distinguishing between commitment authorizations and payment appropriations, thereby enabling the financing of multi-year projects. Furthermore, Law No. 23-07 dated June 21, 2023, relating to public accounting and financial management rules, establishes the accounting and control framework for executing these operations while enabling cost analysis of programs and activities and evaluating their effectiveness.

A significant share of public project execution is carried out through public procurement under Law No. 23-12 dated August 5, 2023, which emphasized ensuring procurement effectiveness and the proper use of public funds by predetermining needs, guaranteeing the transparency of contracting procedures, and selecting bids according to legal and economic criteria. As for public economic enterprises, their investments are financed through their own resources, bank financing, and state contributions in accordance with their legal status and financial and accounting systems.

Axis Two: Auditing Techniques in the International Environment Through Modern Professional Standards and Practices for Identifying and Assessing Financial and Operational Risks

Financing institutions in the Algerian environment face substantial risks that adversely affect their operations and survival, particularly amid the turmoil hitting long-established major financial institutions—most notably the collapse of Silicon Valley Bank in 2023. It has therefore become imperative to keep pace with developments in professions supporting financial operations, such as auditing, especially regarding the transition from examining transactions and financial information to adopting more holistic approaches for identifying and analyzing risks and evaluating performance efficiency. These developments provide a set of professional standards and tools that can be harnessed in appraising financed projects and verifying the soundness of submitted studies prior to making resource allocation decisions.

This axis addresses three primary approaches:

Convergence with International Standards on Auditing (ISAs): As an integral part of the business environment, the auditing profession has evolved alongside the growing complexity of economic activities. Relying on traditional inspection of documents and transactions is no longer sufficient to evaluate performance soundness; rather, auditing has expanded to encompass approaches that enable understanding the nature of the activity, identifying associated risks, and evaluating the effectiveness of control measures adopted to manage them. Traditional auditing was associated with three core functions: the first (examination) involves verifying the accuracy of accounting entries; the second (verification) involves checking compliance with approved rules, standards, and legal regulations; and the third (reporting) involves expressing an opinion after detecting errors and irregularities that could affect the credibility of financial information. The modern approach, by contrast, is built on understanding the nature of the activity and the environment in which the entity operates, analyzing potential risks, evaluating the control systems established to address them, and determining appropriate procedures to verify the extent of control over those risks.

Through the revisions introduced to International Standard on Auditing (ISA) 315, Identifying and Assessing the Risks of Material Misstatement, international standards emphasize the importance of understanding the entity, its environment, and its system of internal control, and identifying risks that may affect financial information. The significance of this approach for financed projects lies in its ability to direct examination efforts toward the elements most critical to project success itself, such as the realism of investment costs, funding sources, projected cash flows, and the activity's going-concern viability.

Convergence Between the Evolution of Internal Auditing and the Expansion of Performance Evaluation: This convergence stems from the fact that internal auditing is no longer restricted to verifying compliance with internal procedures and controls; it has evolved into an independent function providing assurance and recommendations that help the organization improve governance, risk management, and control processes.

In this regard, the Institute of Internal Auditors (IIA) issued the Global Internal Audit Standards, structured around 15 guiding principles:

1. Demonstrate Integrity;
2. Maintain Objectivity;
3. Demonstrate Competency;
4. Exercise Due Professional Care;
5. Maintain Confidentiality;
6. Authorized by the Board;
7. Positioned Independently;
8. Overseen by the Board;
9. Plan Strategically;
10. Manage Resources;
11. Communicate Effectively;
12. Enhance Quality;
13. Plan Engagements Effectively;
14. Conduct Engagement Work;
15. Communicate Engagement Results and Monitor Action Plans.

The significance of this evolution lies in enabling the expansion of the audit scope to include evaluating operational efficiency and its contribution to achieving objectives. This aligns with the nature of financed projects, whose evaluation cannot rely solely on the accuracy of financial information, but also requires examining resource utilization efficiency and expected outcomes.

International Approaches to Performance Auditing and Risk Management: In addition to developments in external and internal auditing standards, other orientations have emerged calling for the advancement of performance evaluation and risk management practices applicable to appraising financed projects, particularly in the public sector and financial institutions. Notable among these are the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and the ISSAI 3000 standard, which establish a performance auditing approach grounded in three core principles: Economy (acquiring resources of appropriate quality and quantity at the lowest possible cost), Efficiency (achieving the best possible relationship between resources used and results achieved), and Effectiveness (the extent to which predetermined objectives and results are achieved). These principles are directed at evaluating public sector projects

not only in terms of compliance with spending procedures, but also in terms of execution costs, output quality, and the achievement of developmental objectives.

Furthermore, under ISO 31000, organizations of all sizes face uncertainties regarding their objectives and the paths they pursue. This standard provides a framework enabling auditors to assess and construct a project risk matrix, classify risks according to their likelihood of occurrence and magnitude of impact, and determine the measures required to mitigate them.

Finally, the principles endorsed by the Basel Committee on Banking Supervision (BCBS) relate directly to managing banking financing risks. The Basel Committee issued an updated version of the Principles for the Management of Credit Risk, encompassing four core areas:

Establishing an appropriate credit risk environment;

Operating under a sound credit-granting process;

Maintaining an appropriate credit administration, measurement, and monitoring process;

Ensuring adequate controls over credit risk.

Based on these three approaches, changes in the international environment have converged around three strategies touching upon information reliability, operational evaluation efficiency, and the analysis of risks associated with financial and operational decisions, thereby providing a solid foundation for developing project appraisal methods prior to allocating financing.

Axis Three: Utilizing Auditing Techniques to Develop Ex-Ante Evaluation Mechanisms for Financed Projects in Algeria

Studying the prevailing situation in the environment surrounding financial institutions and banks begins with analyzing the activities of these financing institutions in order to evaluate financing policies and their impact on operational policies. This is embodied by the six national public banks, which serve as the primary instruments for implementing the Algerian state's programs. In this axis, we examine a sample consisting of three public banks: Banque Extérieure d'Algérie (BEA), Banque de Développement Local (BDL), and Crédit Populaire d'Algérie (CPA).

Table (1): Comparison of Operating Results of the Three Public Banks

Unit: Billion Algerian Dinars (DZD)

Bank	Financial Indicator	Year		Rate of Change
		2023	2024	
Banque Extérieure d'Algérie (BEA)	Net Banking Income	75.551	102.777	+36.04%
	Gross Operating Income	56.642	84.871	+49.84%
	Allocations to Provisions and Impairment Losses	14.871	44.531	+199.45%
	Reversals of Provisions and Impairment Losses	8.711	3.123	-64.15%
	Operating Income	50.482	43.463	-13.90%
	Net Income	49.747	42.636	-14.29%
Banque de Développement Local (BDL)	Net Banking Income	52.426	67.711	+29.16%
	Gross Operating Income	33.785	44.844	+32.73%
	Allocations to Provisions and Impairment Losses	43.267	26.572	-38.59%
	Reversals of Provisions and Impairment Losses	29.436	7.069	-75.99%
	Operating Income	19.953	25.341	+27.00%
	Net Income	17.558	22.921	+30.54%
Crédit Populaire d'Algérie (CPA)	Net Banking Income	67.676	74.417	+9.96
	Gross Operating Income	46.243	49.141	+6.27%
	Allocations to	35.723	22.916	-35.85%

	Provisions and Impairment Losses			
	Reversals of Provisions and Impairment Losses	32.723	19.131	-41.54%
	Operating Income	43.243	45.356	+4.89%
	Net Income	38.016	41.934	+10.31%

The financial indicators recorded by the three banks reflect positive results that offer a measure of reassurance regarding their financial performance, as all three maintained positive net income across both comparison years while registering growth in net banking income and gross operating income, albeit at varying paces from one bank to another.
However, these results should not obscure the magnitude of charges associated with financing risks, particularly when observing allocations to provisions and impairment losses, which warrant a more conservative reading given their trajectory over the period under study.
To illustrate the significance of these reservations, net provisioning charges can be calculated as the difference between recorded allocations and realized reversals during a single year. The comparison reveals an increase in this net charge across all three banks to varying degrees, necessitating a deeper analysis of the components and sources of these charges, as well as leveraging international standards and auditing techniques to assess credit risks and verify the adequacy of adopted accounting estimates.

Table (2): Net Charges for Provisions and Impairment Losses
Unit: Billion Algerian Dinars (DZD)

Bank	**Year**		**Rate of Change**
	2023	**2024**	
Banque Extérieure d'Algérie (BEA)	6.160	41.408	+572.16%
Banque de Développement Local (BDL)	13.832	19.503	+41.00%
Crédit Populaire d'Algérie (CPA)	3.000	3.785	+26.15%

Source: Prepared by the researchers based on financial reports.
The positive financial results of the three banks do not necessarily indicate that financing risks are under full control. Rather, the evolution of net provisioning charges highlights the need to examine and review how project risks are assessed so that financing decisions are made rationally, enabling verification of the credibility of the information and assumptions upon which project feasibility studies are built.

Utilizing Auditing Techniques to Address Imbalances in Financing Policies in Algeria
The disparity revealed by the indicators used to analyze the results of the sampled banks—such as the evolution of allocations, reversals, and net provisioning charges—demonstrates the importance of developing new mechanisms for assessing financing risks. However, income statement data alone are insufficient to uncover the root causes of rising charges and risks, as they do not identify the operational or financial drivers behind them. This necessitates deploying auditing techniques to examine projects and evaluate the information underlying financing decisions, with the aim of detecting potential imbalances before they escalate into credit defaults.
The auditor's intervention can be structured across three interconnected levels, starting with pre-financing project verification, moving to risk analysis, and culminating in monitoring fund utilization and tracking performance:
First Level – Verifying the Credibility of Information and Documents Submitted in the Financing File: At this level, the auditor relies on the examination and verification functions to confirm the accuracy of the information used to approve financing, rather than merely checking the administrative completeness of required documents. At the outset of the engagement, this requires inspecting the study submitted by the project sponsor and verifying the credibility of data relating to costs, suppliers, equipment, and investment needs.
The auditor can deploy independent verification procedures for information and documents by benchmarking prices against independent sources, verifying the legal standing of suppliers and the authenticity of submitted invoices and quotations using direct external confirmations from relevant parties, and examining the technical specifications of equipment and their alignment with the nature of the activity and targeted production capacity. This procedure draws on the guidance of International Standards on Auditing—specifically ISA 505, External Confirmations, as a means of obtaining audit evidence. The auditor may also engage a technical or engineering expert to evaluate the suitability of equipment and

technical aspects of the project, while verifying the expert's competence, objectivity, and the adequacy of their findings, in accordance with ISA 620, Using the Work of an Auditor's Expert.

Second Level – Financial Feasibility Analysis and Project Risk Assessment: Following the first level—which applies the audit functions of examination and verification—the auditor proceeds to the second level to assess the realism of the financial and operational assumptions underlying the project study using a suite of analytical tools, most notably:

Cash Flow and Repayment Capacity Analysis: Assessing borrowers' current and future capacity to meet obligations arising from the financing request, determining actual and appropriate working capital requirements, and analyzing the project's ability to cover operating expenses and service installments and financial obligations.

Sensitivity Analysis and Scenario Testing: When assessing borrowers' financial position, institutions should evaluate the sustainability and feasibility of future repayment capacity under potential adverse conditions relevant to the type and purpose of the loan that may occur over the life of the loan agreement. These conditions may include:

– Decline in income or other cash flows;
– Increase in interest rates;
– Negative amortization of the loan (accumulation of interest exceeding repayment amounts);
– Deferral of principal or interest payments;
– Deterioration in market conditions or the borrower's operational circumstances;
– Changes in foreign exchange rates, where relevant.

Operational Risk Assessment: The significance of this assessment lies in examining the adequacy of equipment, human resources, and supply sources, analyzing production, storage, and distribution procedures, and identifying deficiencies that could impair operational efficiency. This aspect is guided by ISA 315, Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment.

Performance Analysis and Going-Concern Viability: This involves examining profitability indicators, costs, break-even point, and production capacity, and evaluating the project's capacity to generate revenues sufficient to sustain operations without recurring reliance on additional financing, as highlighted by the European Banking Authority (EBA) in its Guidelines on Loan Origination and Monitoring.

Third Level – Monitoring Financing Utilization and Tracking Project Execution: At the third level, the auditor's role extends beyond expressing a technical opinion to actively monitoring how financial resources are utilized and the extent to which actual execution aligns with the objectives underlying the financing decision, while upholding the principles of independence and objectivity as mandated by legal regulations. At this stage, the auditor relies on three types of procedures:

Verifying Financing Utilization: Here, the auditor assesses fraud risks as addressed in ISA 240 by reconciling disbursed funds against invoices, acquired equipment, and approved needs, thereby detecting any diversion of funds or cost inflation.

Data Analytics and Performance Indicators: Measuring actual outcomes against initial projections, analyzing variances in sales, costs, and cash flows, and leveraging data analytics tools as addressed in Standard 14.2 of the Global Internal Audit Standards.

Monitoring Going-Concern Continuity: Tracking indicators of financial and operational deterioration and evaluating the project's capacity to continue operating and meet its obligations, effectively drawing on the professional principles regarding going concern set forth in ISA 570 and adapting them to the nature of projects post-launch.

3. CONCLUSION

The effectiveness of financing policies in Algeria is not solely a function of the volume of financial resources allocated to projects or the multiplicity of support and financing mechanisms; rather, it depends fundamentally on the capacity of these projects to achieve their economic and operational objectives and ensure their continuity. Despite the diversity of financing mechanisms across both the public and private sectors and the multitude of entities involved in granting funding and accompanying projects, financed projects continue to face an array of financial and operational risks that can impair their profitability and negatively affect financing institutions—particularly through beneficiary defaults, loan classification, and rising charges related to provisions and impairment losses.

The analysis of financial indicators for a sample of Algerian public banks showed positive net income and growth in net banking income and gross operating income during the comparison period. However, these figures alone are insufficient to judge the degree of control over financing risks, as the analysis of net charges for provisions and impairment losses revealed an increase across all three banks over two consecutive years. This underscores the importance of conducting a deeper investigation into the risks driving these charges rather than relying exclusively on banks' aggregate financial results.

In this context, the study demonstrated that advancements in the auditing profession and international professional standards have provided a set of tools that can be leveraged to improve project appraisal procedures prior to granting financing, by shifting from formal file inspection to a comprehensive evaluation of information credibility and the realism of financial and operational assumptions. Accordingly, a proposed framework was developed to deploy these tools across three interconnected levels: beginning with independent verification of submitted information and documents, progressing to financial feasibility analysis and project risk assessment, and culminating in monitoring financing utilization, tracking project execution, and measuring performance.

Based on the preceding findings, the study recommends the following:

Updating project financing appraisal procedures to move beyond checking administrative document completeness toward examining data credibility, cost realism, cash flows, and the assumptions adopted in feasibility studies.

Strengthening reliance on specialized professional and technical expertise when evaluating projects, particularly those involving complex equipment, technologies, or technical activities.

Integrating the auditor into project financing review and approval committees in an advisory or oversight capacity, within a regulatory framework that defines their duties and scope of intervention while ensuring compliance with auditing principles (objectivity and independence).

Adopting periodic post-financing monitoring of projects to verify that resources are directed to their intended purposes, compare realized outcomes against projections, and detect early warning signs of default.

Enhancing coordination and information exchange between banks and project support and financing agencies to improve beneficiary assessment, monitor the status of financed projects, and prevent recurring imbalances.

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