**Journal of Financial, Accounting and Managerial Studies**
ISSN 2352-9962/E-ISSN 2572-0147
**Vol 07, Number 02 – December 2020**

OEBUniv.Publish. Co.

# The Reality Of Strategic Auditing – Empirical Study in the Algerian Water Company of El-Taref.

# واقع التدقيق الاستراتيجي – دراسة ميدانية للمؤسسة الجزائرية للمياه للطارف

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**Date of receipt:06/07/2020 Date of revision: 09/10/2020 Date of acceptation:08/12/2020**

**Abstract**

This research aims to identify and analyze the strategic auditing reality in the Algerian Water company at El-Taref unity. The study was based on different dimensions including diagnoses, focused analysis and recommendations.

In order to achieve the objectives of the study, the researchers used a survey to collect and analyze the data. The sample was about 47 employees in the company. Data analyzed by the statistical program (SPSS V23). In addition to applying the necessary statistical methods such as (factorial analysis, mean, coefficient covariance). In the end, the results have shown an average level of dimension of strategic auditing.

**Keywords**: Diagnostic, Focused Analysis, Recommendations.

**ملخص**

يهدف هذا البحث إلى التعرف على واقع التدقيق الاستراتيجي والذي يشتمل التشخيص والتحليل المركز والتوصيات، حيث تمت الدراسة في المؤسسة الجزائرية للمياه لوحدة الطارف. ولتحقيق ذلك على تصميم استمارة لجمع البيانات، وتوزيعها على عينة متاحة بلغ حجمها 47 من العاملين بالمؤسسة، وتمت معالجة الإحصائية للبيانات بالاستعانة بالبرنامج (SPSS V23)، وتم التوصل إلى توفر أبعاد التدقيق الاستراتيجي بمستويات متوسطة.

**الكلمات المفتاحية:** التدقيق الاستراتيجي، التشخيص، التحليل المركز، التوصيات.

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## 1. INTRODUCTION

The business organizations success or failure depends on the extent of their ability to achieve their mission, goals and objectives, and this requires setting a strategy and implements that strategy. One of the most important means to follow up the implementation of strategies relies in the possibility of carrying out the strategic audit process.

The concept of strategic auditing didn't get an enough attention, and it may not be applied effectively in most business organizations, just as the tools used in performance evaluation are also limited to the traditional tools based on evaluation that assess the financial aspect and neglect the tools and approaches with strategic dimensions that are critical. Strategic auditing is an imperative, given the development it has witnessed in various fields, the credibility of its findings, and its impact on raising the effectiveness of management and making appropriate decisions, and providing recommendations to support the managers with the necessary guidance in combating fraud, fraud and manipulation of imbalances.

In this context, the importance of the study relies on the importance of strategic auditing, which is extremely important because of the main change characteristic of internal and external factors and variables, because they are not fixed in the long run. The study also aims to address one of the most important topics in the administrative field, and try to measure it in practice.

In the context of the foregoing, the problem can be raised through the following main question:

**Does the reality studied in the organization in question reflect the strategic auditing variables approved in the study from the respondents point of view?**

To answer this main question, a set of the following sub-questions can be asked:

-Are strategic auditing variables available from the point of view of the individuals in the organization under study?

- What is the direction of the variables for strategic auditing from the viewpoint of the individuals in the organization under study?

- What are the most important variables of the strategic audit that should be taken care of from the point of view of the individuals in the organization under study?

**2- Definition of strategic auditing:**

The most important definitions that have been made about the strategic auditing are presented as follows:

- "It is a comprehensive, organized, and periodic audit or review of the organization and its management, which includes a comprehensive audit of the objectives, strategies, policies, programs, and activities followed, which were formulated to determine the strengths and weaknesses of that strategy or in its implementation, to put in place the recommendations necessary to improve the organization's strategic performance in all areas." (Elsabagh, abou nia, 1990, p 294)

- "It focuses on assessing the long-term decisions taken by the institution in light of the internal and external environmental changes at the level of the higher management of the organization, and is concerned with the success of the organization as a whole and achieving its long-term goals in analyzing and testing possible strategic alternatives and their effects on the organization and discovering what may happen from imbalances and gaps and addressing them at the time the appropriate".(Sekak, 2015, p 393)

- "It is a system to ensure that business units achieve their goals, by setting levels of targeted performance and then measuring actual performance and comparing it with the criteria established to identify the extent to which the strategic performance targets are achieved."( Elchaabani, waad, Eldjemili, 2012, p 381)

Strategic auditing consists of a set of questions representing the so-called checklist, which are questions that cover all stages of strategic management from the moment of strategic analysis to the internal environment, until the completion of the implementation process and start strategic oversight, and strategic audit is one of the types of administrative audit, and audit can be practiced Strategic by the organization's senior management, or by a competent committee.

Where the main objectives of the strategic auditing are as follows: (Djeradat, 2013, pp 338-339)

-Determine the extent of the organization's relationship with the community in which it operates, in terms of its achievement and social practice, and how it responds to the needs and desires of customers.

-Explaining the extent of the contribution of different job activities to achieving the organization's vision and mission

-Determine the effectiveness of cooperation, coordination, integration and the degree of communication between the various strategic units that make up the organization.

-Explain and identify the strengths of the organization, as well as identify weaknesses that affect it, by comparing it with other organizations working in the same sector or industry.

Also, many interested in the field of strategic management indicate that there are many aspects of the strategic audit process, there is the diagnostic aspect that includes reviewing the main documents, reviewing financial performance and defining requirements for strategic implementation, and there is an analytical aspect that includes testing hypotheses and formulating conclusions, proposals and recommendations.

One of the most important is the strategic auditing of organizations on their various operations: (Djeradat, 2013, pp 339-340)

-Determine the changes that should be noticed as they affect the overall performance of the organization, and thus identify problems or opportunities facing the organization.

-Increase the chances of achieving the strategy formulated and adopted, as audits reveal weaknesses that should be avoided, and reinforce strengths.

-Determine the impact of the changes that have been implemented in the organization, and the extent of their contribution to improving performance

-Identify and clarify the needs and desires of external stakeholders, in order to meet those needs and workers to provide them.

-Determine the needs and desires of customers and work to try to provide them with high quality, as audits help to anticipate what the customer desires and wants.

-It works to provide a positive interaction between the different organizational units of the organization, as it begins to work with each other in an integrated and coordinated manner, which increases the chances of achieving success.

**3- Dimensions of the strategic auditing:**

The dimensions of the strategic auditing are as follows:

**3-1-Diagnosis:**

It includes gathering information to learn about the strategy and goals of the organization, as well as knowing the level of expected disease and the results that must be reached and knowing how to carry out the tasks and activities, that is, it is a comprehensive diagnosis of everything related to the management of the organization.

**3-2- Focused Analysis:**

It includes modes of threats and opportunities for development, by analyzing specific issues, and defining internal relationships between components or components of the strategic system. The hypothesis test is followed by the formulation of conclusions regarding weaknesses in strategy formulation and implementation defects

**3-3-Recommendations:**

This stage includes developing alternative solutions to problems, and testing them against the requirements of their strategic resources, and other applicable procedures. This is followed by the development of specific recommendations to present an integrated and measurable plan of action to improve strategic outcomes.

**4– Methodology**

**4-1-The method used in the study:** The descriptive and analytical approach that includes the use of the field method in data collection by the form as the main tool for the study, and its statistical analysis based on the

method of global analysis, in addition to the desk survey, were used to take advantage of books and scientific periodicals to build the theoretical framework and bibliographic research by Computer on previous studies. It is worth clarifying that factor analysis is one of the statistical methods that are used in treating the results, as it is a statistical method that aggregates variables of one nature into a homogeneous structure internally linked with each other. An exploratory factor analysis was relied on in this study to discover the validity of the model that was developed to verify its global structure from the use of exploratory factor analysis as a first step. This kind of factor analysis can know the number of factors that represent a particular feature, and whether these factors are related to each other or are they independent not connected.

**4-2-Tools and variables of the study:** The study is based on an analysis of the relationship between three variables or dimensions, represented in diagnosis, focused analysis and recommendations, each variable is expressed in several items or phrases, where each variable has been allocated five phrases. Where the form was relied upon as the main tool for the study, and Lickart scale was used to measure the answers (totally agree, agree, neutral, disagree, totally disagree).

**4-3-Population and Sample:** The study population are all employees in Water Algerian Enterprise El-Taref, where 47 forms were distributed, and 47 of them were retrieved, and analyzed.

**4-4-Statistical methods:** The following statistical methods were adopted:

- Kurtosis and skewness coefficients: To ensure the normal distribution of data because it is a prerequisite for global analysis (the skewness coefficient is limited between [1, -1] and the kurtosis coefficient is between [3, -3]).

-Coefficient of tolerance and Vif: to ensure the degree of independence between variables (the coefficient of Vif should not exceed 10, and the tolerance coefficient should not exceed 0.05).

- Arithmetic mean: To know the directions of the sample members on the questionnaire's questions.

- Standard deviation and coefficient of variation: to identify the strength of dispersion in the answers.

- Factorial analysis: through the following:

- Correlation Matrix: Transactions must be greater than 0.30 and not exceed 0.80.

- Kaiser-Mayer-Olkin (KMO) test and Bartlett's Test of Sphericity test: To ensure only the quality of the measurement is a Kaiser test, the indicators must not be less than 0.5 to judge the sampling level, and the Bartlett D test must be statistically significant.

-The underlying roots of the correlation matrix and the sum of squares of saturation values before and after rotation: To explain the variance and the logic on which this method is based, the minimum variance that the factor interprets must be greater than the correct one, according to the Kaiser criterion.

-Cumulus of latent roots: It is a graph showing the factors more precisely. This method is based on latent roots.

-Matrix of components, factors or saturations before rotation: through which the paragraph saturation is presented to the factors (it should be from 0.30 and above).

-Matrix of factors after recycling: Where the reliance on the orthogonal method of varimax rotation was adopted, and on the basis of it, weak and high saturations arise in order to facilitate the interpretation of the factor.

## 5- Results and discussion :

### 5-1-Description of the study variables:

Arithmetic media, standard deviations and difference coefficients for sample responses were extracted around form statements and dimensions, and Table 01 summarizes the results as follows:

**Table (1): mean and coefficient of variance**

| dimensions | Mean | Standard deviation | Coefficient of variance |
|---|---|---|---|
| Diagnostic | 2.77 | 1.205 | 43.50 |
| Focused analyses | 2.80 | 1.149 | 41.03 |
| Recommendations | 2.57 | 1.341 | 52.17 |

**The Source**: output of spss v23

It is clear from the above table that the approval levels for all dimensions are of a moderate degree, except after the recommendations are of a low degree, whereas the difference coefficients belong to the second domain (30≤cd <50%) and reflect dispersion considering that the answers and the views of the respondents are not close.

After the analysis, it ranked first with an arithmetic mean of 2.80, followed by second place after the diagnosis with an arithmetic mean of 2.77, and after the recommendations, it ranked third and last with an arithmetic mean of 2.57.

5- 2**- Normal Distribution Test:**

It is an important step and a first rule. One of the conditions for global analysis is to verify the moderation of the probability distribution, as this was achieved by relying on the torsional and flattening coefficients, and the results are shown as follows:

**Table (2): Normality test**

| Dimensions | Kurtosis | skewnwss |
|---|---|---|
| Diagnostic | **-0.134** | **-0.351** |
| Focused analyses | **-0.094** | **-0.079** |
| Recommendations | **0.393** | **0.499** |

**The Source:** output of spss v23

The convolution coefficients are between -0.258 and 0.519, and the Flatulence coefficients are confined between -0.718 and 1.771, and this result indicates that the normal distribution is achieved because the convolution coefficients are confined to its range [1, -1], and the Flatulence coefficients are confined to Between [3.-3].

**5- 3-Independence Test**:

Confirmation of independence test or absence of self-correlation using inflation factor (Vif), and Tolerance test for each variable must be confirmed, and the results are shown in the following table:

**Table (3): tolerance coefficients and Vif**

| Dimensions | Tolerance | Vif |
|---|---|---|
| Diagnostic | **0.359** | **2.788** |
| Focused analyses | **0.229** | **2.75** |
| Recommandations | **0.406** | **2.466** |

**The Source**: output of spss v23

It is noted from the table that the inflation coefficient values for all dimensions do not exceed 10, and the allowed variance coefficients exceed 0.05, and this indicates that there is no high self-correlation between the variables.

**5-4- Interconnection or square correlation matrix:**

The primary solution to the relationships between the variables included in the global analysis, and the results are shown in Annex 01.

The table shows the matrix of interconnection coefficients, as it appears from the table that all correlation coefficients are statistically significant because they are less than the 0.05 level of significance, where correlation coefficients ranged between 0.602 and 0.800, and this means that the variables are related to each other by more than 0.30, which is acceptable.

It is clear that the correlation coefficients in the upper and lower half of the matrix are statistically significant and are less than the 0.05 level of significance, as it is noted that correlation coefficients are greater than 0.30, and it is noted that the matrix is devoid of high correlation coefficients exceeding 0.80, which means that the correlation matrix is available at the minimum Of relationships and does not involve the problem of high exaggerated correlation between variables

**5- 5-Quality test:**

Despite the significance of the correlation matrix, this does not mean that all correlations are appropriate but should be supported by other tests, ensuring the quality of the measurement through the Kaiser-Mayer-Olkin

(KMO) test, and Bartlett's Test of Sphericity, and the results are shown as follows:

**Table (4): KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .759 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 633.883 |
| | Df | 190 |
| | Sig. | .000 |

**The Source**: output of spss v23

The table shows the Kaiser-Mayer-Olkin (KMO) test equal to 0.759 and it ranges from 0.70 to 0.80 according to the Kaiser motors and is a good result, and this result indicates that the correlations are at a good level and that the sample size is appropriate for performing the factor analysis. The Bartlett's Test of Sphericity has a statistically significant value of less than 0.05, and this indicates that the relationship index between the variables is good.

**5- 6- Explanatory variations:**

The above (5) shows the values of the latent roots of the extracted factors by which the amount of variance in the variable to which the change in a given factor is inferred, has been summarized in four latent roots greater than the correct one, using the basic components method with orthogonal rotation according to the latent root value on Straight. The safe root of the first factor is 11.054, and this factor contributed to the interpretation of 55.26% of the variations structure of the strategic audit variables.

It is also noticed that the rotation distributes the proportions of the variance distributed between the factors in a relatively balanced way and does not make it center in the first factor as shown in the last three columns in the table.

**Table (5): The underlying roots of the correlation matrix and the sum of the saturation value boxes before and after rotation**

| | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| Component | Total | % of Variance | Cum. % | Total | % of Variance | Cum. % | Total | % of Variance | Cum. % |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 11.05 | 55.268 | 55.268 | 11.05 | 55.268 | 55.268 | 5.042 | 25.211 | 25.211 |
| 2 | 1.861 | 9.307 | 64.575 | 1.861 | 9.307 | 64.575 | 3.745 | 18.726 | 43.937 |
| 3 | 1.057 | 5.286 | 69.861 | 1.057 | 5.286 | 69.861 | 3.530 | 17.650 | 61.587 |
| 4 | 1.011 | 5.057 | 74.917 | 1.011 | 5.057 | 74.917 | 2.666 | 13.331 | 74.917 |
| 5 | .878 | 4.391 | 79.309 | | | | | | |
| 6 | .824 | 4.121 | 83.430 | | | | | | |
| 7 | .630 | 3.148 | 86.578 | | | | | | |
| 8 | .569 | 2.844 | 89.422 | | | | | | |
| 9 | .439 | 2.195 | 91.617 | | | | | | |
| 10 | .388 | 1.938 | 93.555 | | | | | | |
| 11 | .323 | 1.615 | 95.170 | | | | | | |
| 12 | .234 | 1.170 | 96.340 | | | | | | |
| 13 | .206 | 1.030 | 97.369 | | | | | | |
| 14 | .154 | .770 | 98.140 | | | | | | |
| 15 | .114 | .572 | 98.712 | | | | | | |
| 16 | .088 | .442 | 99.154 | | | | | | |
| 17 | .077 | .383 | 99.537 | | | | | | |
| 18 | .045 | .223 | 99.760 | | | | | | |
| 19 | .032 | .161 | 99.921 | | | | | | |
| 20 | .016 | .079 | 100.000 | | | | | | |

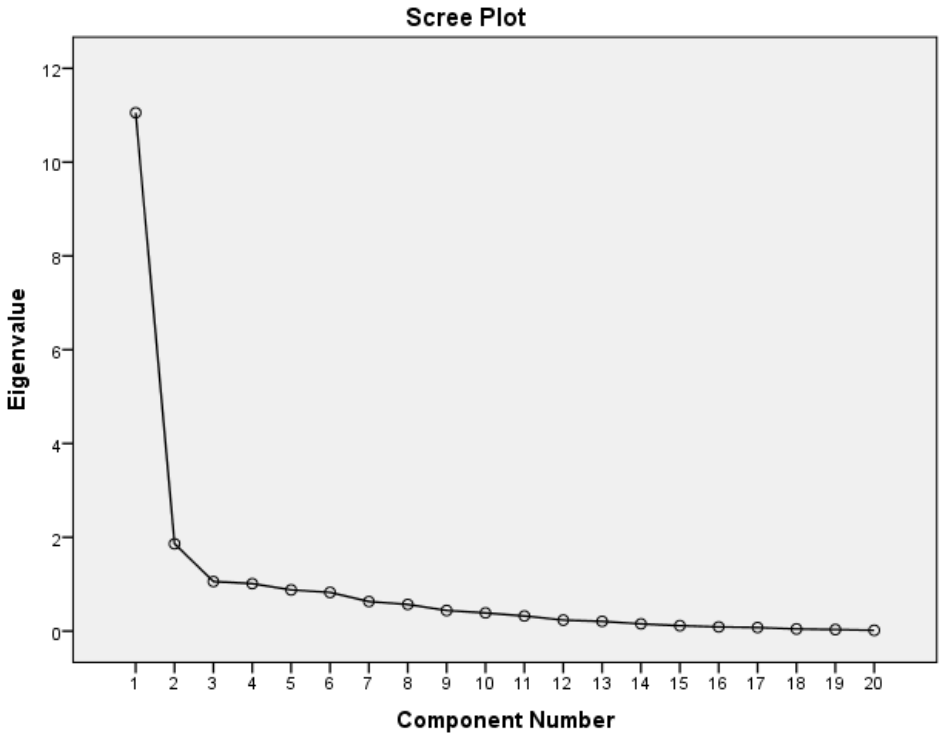
**The Source**: output of spss v23

**5-7- Cumulus of latent roots:**

The graph (1) represents the so-called scree plot curve method, i.e. the values of the underlying roots of each factor on the vertical axis and the component number on the horizontal axis. The slope method is accurate, that is, the number of extracted factors is stable. The graph is another criterion by which the factors whose root potential exceeds the correct one can be preserved to determine the factors in the global analysis and keep only those that are in the steep slope. Accordingly, the figure shows the pattern of the underlying roots of each extracted factor, and it becomes apparent from the figure that the region in which the curve that connects the points takes a roughly horizontal position that begins to appear between the first and fourth factors.

This is illustrated by the following figure as follows:

**Figure (1): Aggregate of latent roots corresponding to various factors**




**The Source**: output of spss v23

**5-8- Matrix of components, factors or saturation before rotation**

It is noted that all of the paragraphs are satisfied with the first factor, and saturation on the second factor is 07 paragraphs of 20 paragraphs, while the third factor is satiated with 03 paragraphs, and the fourth factor is satiated with 04 paragraphs, and it is a common saturation because the paragraphs that satiated the second, third and fourth factors are the same as saturating the factor the first.

**Table (6) : Matrix of components, factors before and after rotation**

| **Matrix of components before** | **Matrix of components after** |
|---|---|

**rotation** **varimax rotationv**

| | Component | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| X18 | .886 | | | |
| X5 | .847 | | | |
| X13 | .845 | -.336 | | |
| X16 | .845 | | | |
| X7 | .837 | | | |
| X3 | .829 | | | |
| X4 | .824 | | | |
| X14 | .802 | -.383 | | |
| X15 | .786 | -.389 | | |
| X17 | .775 | | | .429 |
| X2 | .735 | | | -.369 |
| X6 | .719 | | | |
| X9 | .715 | | | .325 |
| X12 | .647 | | .482 | |
| X8 | .637 | .590 | | |
| X11 | .637 | | | -.324 |
| X19 | .635 | | -.505 | |
| X10 | .588 | .536 | | |
| X1 | .586 | .500 | | |
| X20 | .550 | .307 | .528 | |

Rotation Method: Varimax with Kaiser normalization.[a]

a. Rotation converged in 9 iterations

| | Component | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| X5 | .755 | .366 | .337 | |
| X4 | .731 | .315 | .356 | |
| X11 | .715 | | | |
| X2 | .692 | .411 | | |
| X13 | .659 | | .500 | .399 |
| X12 | .658 | | | .532 |
| X16 | .630 | | .453 | |
| X18 | .510 | .316 | .508 | .436 |
| X8 | | .843 | | |
| X10 | | .817 | | |
| X1 | | .687 | | |
| X7 | .511 | .641 | .340 | |
| X19 | | | .826 | |
| X14 | .505 | | .740 | |
| X15 | .583 | | .636 | |
| X9 | | .498 | .525 | .401 |
| X20 | | | | .790 |
| X17 | | .427 | .491 | .644 |
| X3 | .461 | .426 | .324 | .466 |
| X6 | .383 | .341 | | .446 |

Extraction Method: Principal Component Analysis

**The Source**: output of spss v23

When comparing this matrix before rotation and after rotation, it is noted that the rotation redistributes the contrast explained by each factor, as the moderate high saturations (G11, G08, G10, G01, G19, G20), while the rest of the paragraphs are moderate. Intersectional, from which the saturation is satiated indicating two factors, i.e. two saturation intersections (p. 02, p. 12, p. 16, p. 14, p. 15), of which there are three intersections (p. 05, p. 04, p. 13, p. 07, p. 09, p. 17). , P06), and the remainder have quadruple cross-reliefs (p03 and 18).

**9-Matrix of factors after rotation: Matrix of correlations between factors**

The following table shows the saturation values after rotation as follows:

**Table (7): Saturation values of factors with variables after rotation**

**Component Transformation Matrix**

| Component | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| 1 | .619 | .467 | .489 | .399 |
| 2 | -.460 | .794 | -.341 | .402 |
| 3 | .497 | -.314 | -.556 | .744 |
| 4 | -.605 | -.528 | .579 | .497 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

**The Source**: output of spss v23

The above table shows the amount and strength of the relationship between the factors, i.e. the extent of a correlation between the factors, as the table shows that the value of the transactions is between 0.314 and 0.794, and this indicates that the factors are moderately correlated, because the transactions exceed 0.30 and not exceed 0.80.

## 6- CONCLUSION:

The study concluded that strategic auditing is a tool if it is used correctly and well that helps to have an effective strategy, as it is a broader and broader type of administrative audit, it is what creates an assessment of the overall strategic situation as it does not only describe how to formulate goals, strategies and policies as strategic decisions, but goes beyond how to implement them Straightening and controlling it with scales, budgets, and procedures.

- **General results of the study:**

The treatment of the various aspects related to the study contributed to reaching the following results:

-Failure to apply such variables discussed in the study, which are strategic and social auditing in business organizations in practice, despite their importance.

-Strategic audit contributes to building an integrated system increasing the effectiveness of organizations by using the strategic audit method.

- **Proposals**:

In light of the results reached, some proposals can be made as follows:

- Carrying out applied studies on strategic and social audits.
- Study the reasons for organizations not applying to such variables.- The need to pay attention to the issues and variables of organizations at the strategic level.
- Attention to topics related to social auditing, as it achieves advantages within the organizations

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