sciendo

Financial Internet Quarterly 2024, vol. 20 / no. 3, p. 91-102

10.2478/fiqf-2024-0021

Financial Internet Quarterly

THE CONTRIBUTION OF ANALYTICAL PROCEDURES IN SUPPORTING CORPORATE GOVERNANCE: A FIELD STUDY IN ALGERIA

Didaoui Mohamed Farouk [1], Boughazi Ismail[2]

Abstract

This study aimed to shed light on the contribution of analytical procedures (APs) to supporting corporate governance. This was achieved through a field study in which a questionnaire was created and disseminated to a random sample of external auditors in Algeria. The data collected underwent analysis using the SPSS. The study concluded that APs play a crucial role in bolstering corporate governance by analyzing the company's continuity capability and identifying financial problems facing the companies. In addition, APs enhance the quality and efficiency of external auditing, especially considering auditing as one of the key mechanisms that support corporate governance.

JEL classification: M42, G34, G32

Keywords: Analytical Procedures, External Audit, Corporate Governance, the company's continuity capability

Received: 10.04.2024 Accepted: 05.08.2024

Cite this:

Farouk, D.M. & Ismail, B. (2024). The contribution of analytical procedures in supporting corporate governance: A field study in Algeria. Financial Internet Quarterly 20(3), pp. 91-102.

[1] Faculty of Economic, Commercial, and Management Sciences, University of Ain Temouchent, Algeria, e-mail: mohamed.didaoui@univ-temouchent.edu.dz, ORCID: https://orcid.org/0000-0002-9047-7851.

[2] Faculty of Economic, Commercial, and Management Sciences, University of Ain Temouchent, Algeria, e-mail: ismail.boughazi@univ-temouchent.edu.dz, ORCID: https://orcid.org/0009-0005-3403-8263.

Introduction

Interest in governance has increased significantly in recent decades, especially after the financial crises that hit countries and major economies. Such as the 1997 financial crisis that affected Southeast Asian and Latin American countries and the 2008 global financial crisis. In addition, several giant companies went bankrupt. Most of these crises are caused by financial and administrative corruption, as well as a lack of supervision, accountability, and transparency. Adopting governance is followed by focusing on external auditing, which is considered the most essential mechanism to support the foundations of governance (Fan & Wong, 2005). External auditing provides unbiased financial and accounting information that reflects the true condition of companies, helping them identify strengths and weaknesses. It instills confidence among users of financial statements.

There are many varieties of audit procedures used by auditors; analytical procedures (APs) are among the most important. The Enron debacle and other scandals have brought to light the debate over whether APs or traditional audit approaches based on substantive testing are more suitable (Lin & Fraser, 2003). These procedures are mainly based on the evaluation and study of the relationships between financial information as well as the study of fluctuations and deviations. APs are regarded as a method for auditors to acquire a deeper understanding of the audited companies and analyze the viability of the company, which leads to more effective and compelling audit process (Rose et al., 2020).

This study's significance is evident in light of the growing interest in governance and its mechanisms. Additionally, the importance of the study is manifested in understanding APs as the most critical audit measures that contribute to enhancing the quality of auditing and raising the competence of auditors.

The purpose of this study is to highlight the importance of APs as the most important audit procedures. In addition to identifying the role of APs in supporting corporate governance, especially in the context of the mutual relationship between auditing and governance, the study aims to address the following research question:

How do analytical procedures contribute to supporting corporate governance? To address the research question, two hypotheses were formulated as follows:

H_1: Auditors in Algeria apply all types of APs and rely on them during all stages of the auditing process.

H_2: Analyzing the company's continuity capability through APs contributes to supporting corporate governance.

Literature review

A study conducted by Imoniana et al. (2012) found that auditors, when faced with various testing requirements, tend to select a combination of tests that align with their preferences to fulfill audit objectives. This selection process is often influenced by the materiality of the accounts under scrutiny. These factors emerge as pivotal considerations for enhancing audit effectiveness when determining the APs to be employed and tested.

Harwell (2010) asked a question about where corporate governance began, and it was determined that the origins of corporate governance date back to the early 20th century, before Berle and Means raised the question about the essence of corporate governance. 'Corporate governance' has existed since there were have been conflicts between investors and managers.

Corporate governance is a fast-evolving practice in businesses. The global interest in corporate governance stems from its critical role in underpinning a company's operating framework. The adoption and implementation of corporate governance practices are expected to benefit the owners, as they commit to using the principles and mechanisms that, in the broadest sense, amount to effective monitoring of a company's activities. This is particularly true when principles of disclosure and transparency are adopted (Alfonso & Castrillón, 2021)

The literature shows that there is no single, comprehensive, or widely acknowledged definition of corporate governance. However, most definitions of corporate governance share common elements, describing it as the policies, processes, and structures that organizations use to guide and manage their activities, accomplish their goals, and safeguard the interests of their varied stakeholders, all in line with appropriate ethical standards (Suzana et al., 2012)

According to Borlea and Achim (2013) fundamental theories of corporate governance are rooted in agency theory and the theory of moral hazard. These theories further develop within stewardship theory and stakeholder theory and evolve into resource dependence theory, transaction cost theory, and political theory. Later, ethics theory, information asymmetry theory, and the theory of efficient markets were added to these concepts.

The literature shows that governance and auditing have a significant impact on performance, although the direction of this impact remains undetermined. Empirical results are mixed and differ according to the measure of performance chosen (Noubbigh, 2008). External auditors are responsible for ensuring that a corporation complies with relevant laws and regulations, conducts its operations fairly, and maintains effective controls to prevent conflicts of interest and fraud. An audit committee composed of independent directors can oversee management, providing shareholders with assurance that they will receive accurate and complete information (Ferreira, 2018)

Auditing plays a crucial role in strengthening corporate governance by providing independent assurance that financial statements are free from material misstatements. According to DeZoort and Salterio (2001), the effectiveness of audit committees, which are integral to governance frameworks, significantly affects audit quality. Their study highlights that the expertise and experience of audit committee members are critical in shaping the quality of audits and ensuring that governance objectives are met.

Leonov et al. (2020) have carried out a study to explore the effectiveness of using analytical tools in performing APs to evaluate an organization's involvement in suspicious activities. The study discovered that employing these tools in financial statement analysis helps auditors improve the effectiveness of analytical procedures in identifying suspicious operations and transactions.

Previous studies have established compelling evidence indicating that APs contribute significantly to enhancing corporate governance within companies. These procedures serve to furnish management with crucial insights into the company's financial performance, enabling them to ascertain profitability. Additionally, they equip top management with the necessary data to assess and pinpoint areas of concern. Furthermore, through the identification of unfavorable variances, APs aid management in streamlining operations and reducing wastage (Changawa & Theuri, 2014).

According to Kostiantyn et al. (2023), the utilization of APs in integrating reporting within corporate enterprises broadens the scope and objectives of auditors. Consequently, there is a growing imperative to enhance their competencies, both in directly conducting analytical assessments and in discerning indicators of data reliability for the application of APs. This includes exercising professional judgment in selecting alternative sources of information and detecting potential signs of data manipulation within the integrated reports of the enterprise.

Analytical procedures (APs)

APs involve assessing financial information by examining the logical connections between financial and non-financial data (Kritzinger & Barac, 2017).

These processes can alternatively be described as equivalent to assessments of financial data that come from analyses of the relationships between financial and non-financial data. Additionally, they involve analyses of deviations and identified relationships that contradict other relevant data or substantially diverge from predicted values (Pinho et al., 2023).

The importance of APs

These procedures are highly effective in detecting a significant number of material errors. Furthermore, it allows auditors to make better decisions and set more accurate expectations by adjusting a business-risk audit method and technological advancements. Furthermore, the efficiency of APs is demonstrated by their superior performance in error detection and predictive capability, which serves as the foundation for properly focusing the auditor's attention on errors that may necessitate a more thorough examination (Bendjaballah, 2021).

These procedures help to assess the company's ability to continue operations, identify areas of risk, and then address and avoid them, as well as evaluate management performance (Moussa, 2013).

APs Objectives

Analytical procedures play a crucial role in the audit planning process by providing a comprehensive understanding of a client's business and industry. This understanding is essential for comparing current and prior year's financial information or industry benchmarks to identify trends and unusual events that could impact the audit process. Furthermore, APs are instrumental in assessing a company's ability to continue as a going concern, enabling auditors to detect potential financial problems and predict the likelihood of financial failure (Abu Sharkh, 2012). They are also vital for detecting errors and anomalies in financial statements by highlighting unusual variations in financial components (Al-Jazwi, 2015). Additionally, APs contribute to reducing the need for extensive detailed testing by providing auditors with a clearer understanding of financial data and associated risks (Arens et al., 2012).

Types of APs

Analytical procedures encompass various techniques that enhance the audit process through comparative analysis. One fundamental type involves comparing client data with industry benchmarks, which aids in understanding the client's business and serves as an early warning system for potential financial difficulties (Matrood & Khilkhal, 2019). Another type is the comparison of current-year balances with those of prior periods, enabling auditors to identify significant changes that might necessitate increased scrutiny. Additionally, auditors compare client data with expected results where auditors use non-financial data or historical trends to project account balances or cross-reference with other financial statements (Arens et al., 2012). Lastly, using non-financial data for comparisons provides a robust validation of financial data accuracy, as the correlation between financial and non-financial metrics enhances the precision of the auditors' forecasts (Lounis, 2021).

Timing of APs

The timing of (APs) throughout the audit process is crucial for optimizing their effectiveness. At the planning stage, preliminary APs serve several purposes: they help auditors gain an understanding of the client's business and its current state, assess the risk of significant errors, and determine the scope and nature of further audit procedures. This initial application is instrumental in shaping the audit strategy and plan (Matrood & Khilkhal, 2019). During the testing phase, APs are considered substantive when the auditor determines that they are superior in effectiveness or efficiency compared to detailed tests, aiming to reduce the risk of significant errors at the assertion level to an acceptable degree (Matrood & Khilkhal, 2019). In the completion phase, APs are performed as a general survey of the financial statements to determine whether they align with the auditor's understanding of the company (Fung, 2010).

Categories of APs

Analytical procedures can be categorized into different techniques based on their complexity and application. The simple descriptive technique is used to estimate an account's balance. It entails applying reasonableness tests to non-financial data, such as inquiries and auditor expectations, as well as reviewing internal and external non-quantitative information. The simple quantitative technique relies on estimating an account's balance. It entails applying reasonableness tests to non-financial data, such as inquiries and auditor expectations, as well as reviewing internal and external non-quantitative information (Al-Hajaia, 2022). In contrast, the advanced quantitative technique employs complex statistical analyses to predict account balances. These sophisticated methods enable auditors to compare actual balances with those derived from advanced statistical models, thus confirming the accuracy and reasonableness of financial data (Al-Jazwi, 2015).

The theoretical framework of corporate governance

Corporate governance is a broad term that encompasses a variety of topics related to the concepts, hypotheses, and practices of boards of directors and their executive and non-executive directors. It is a field that focuses on the relationships between boards, shareholders, top management, and auditors (Maassen, 1999).

Objectives of corporate governance

Corporate governance has contributed significantly to the corporation's growth and development. The role of the company is not to create or provide administration and reap benefits in this manner. Companies are also responsible for societal development. It is impossible to ensure the company's growth by focusing solely on the company's interests and ignoring the overall development of the community. Corporate governance is critical to improving the economy's efficiency. A strong corporate governance framework within businesses fosters the trust required for smooth operation in a market economy. As a result, capital costs are reduced, and companies are incentivized to use resources efficiently, which benefits growth (Vukčević, 2012).

Corporate governance mechanisms

Corporate governance studies consistently show the existence of various mechanisms for implementing governance principles. The mechanisms can be classified as follows.

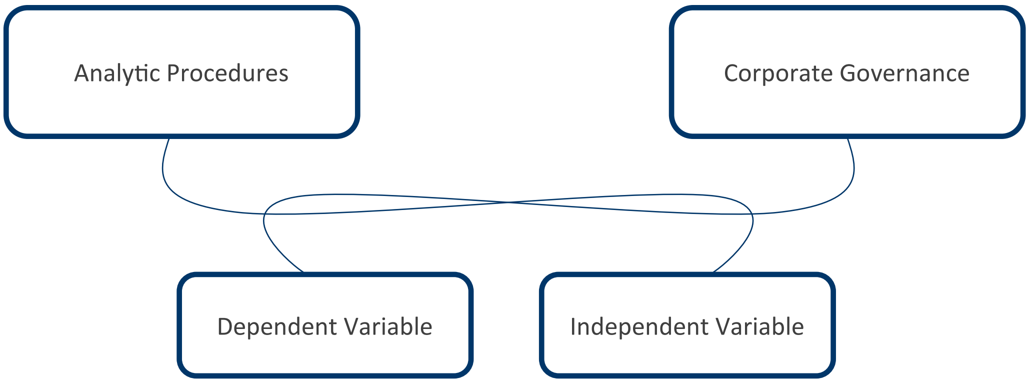
The internal mechanisms include several key elements. The board of directors is made up of people who are responsible for advancing the company's business. Directors elected by shareholder meetings are drawn from the director market, and they are responsible for oversight, decision-making, competence, and providing services to the corporation through their expertise and network (Collin et al., 2008). Executive management also plays a pivotal role in governance because leadership's tone has a significant impact on the organization's culture and controls. Executive management must operate under the broader oversight of directors and follow specific structural guidelines, which include internal controls, information dissemination, and financial statement certification (Banks, 2003). Additionally, internal control groups support both the board and executive management by providing objective analysis and supervision of the company's operations. These specialists act as a vital link between the board's strategic policies and the day-to-day operations that are the foundation of a company's activities. The organization has multiple internal control groups, including finance/accounting, risk management, operations/settlement, technology, law and compliance, and international (Banks, 2003).

The external mechanisms: External mechanisms play a crucial role in enhancing corporate governance by influencing and regulating the behavior of organizations. These mechanisms can be classified into several categories. The market mechanism acts as a catalyst for governance by encouraging owners to seek out undervalued institutions. This market-driven approach prompts various stakeholders to collaborate effectively to enhance the company's value and achieve long-term sustainability. Laws and regulations also serve a vital function by defining the relationships, responsibilities, rights, and duties of each party that can contribute to governance (Boufatah, 2016). Additionally, the external audit mechanism ensures accountability by holding the auditor responsible to the shareholders for the conduct of the audit process. The auditor must ensure the accuracy of the information in the audit report, starting with its presentation at the institution's general assembly and continuing to any authority that relies on the report for decision-making (Benaissa & Boussouak, 2021).

Methodology

A descriptive methodology and an analytical approach were used to identify analytical procedures and their role in supporting the fundamentals of corporate governance in order to find a solution to the study's problem. The following study model was adopted:

Figure 1: Model of the study



Source: Author's own work.

Methods of collecting and analyzing data, sample of study

A questionnaire was used as the data collection tool, which included two sections, the first of which contained the sample's personal data, such as profession, number of years of experience, educational qualification, and specialization, and the second section included 29 statements divided into two axes, The five-point Likert scale was used to determine trends in respondents' answers, and the SPSS program was used for statistical analysis. The study's population consists of Algerian external audit practitioners. A random sample of 60 auditors was selected, 60 questionnaire forms were distributed to the study sample, and 40 valid forms were retrieved, accounting for 72% of the total distributed forms.

Table 1: Presentation the personal data of the sample

Variables	Categories	Iteration	Percentage
Specialization	Accounting	30	75.0%
	Finance	8	20.0%
	Economics	1	2.5%
	Business administration	1	2.5%
Scientific Specialization	Bachelor's degree	17	42.5%
	Master	11	27.5%
	Doctorate degree	7	17.5%
	Professional certificate	5	12.5%
Profession	Auditor	25	62.5%
	Accounting expert	15	37.5%
Number of years of experience	Less than 5 years	6	20.0%
	From 5 to 15 years old	17	42.5%

Variables	Categories	Iteration	Percentage
Number of years of experience	From 16 to 25 years old	9	22.5%
	More than 25 years	8	20.0%
Total	-	40	100.0%

Source: Author's own work.

Table 1, based on the profession variable, shows that 62.5% of respondents are auditors and 37.5% are accounting experts. This suggests that the respondents are qualified to respond to the questionnaire statements. In terms of scientific specialization, 95% of respondents work in finance and accounting. This is consistent with the requirements for practicing auditing in Algeria, demonstrating that they are capable and able to respond objectively. In terms of academic qualifications, 87.5% of respondents hold advanced university degrees. This demonstrates that they have a strong academic background, as well as the ability to understand and answer the questionnaire. In terms of years of experience, 42.5% of respondents have experience between 5 and 15 years, while 22.5% have experience between 16 and 25 years. Furthermore, 20% of respondents have over 25 years of experience, while 20% have less than 5 years of experience. This indicates that the sample individuals have a wide range of experience and sufficient practical qualifications to respond to the questionnaire credibly and objectively. The questionnaire's stability and validity were tested using Cronbach's alpha coefficient, and the Spearman correlation coefficient which measures the strength and direction of association between the score of each statement and the total score of the axis to which it belongs.

Table 2: Stability coefficient and the validity coefficient

Axis	Paragraphs number	Cronbach's alpha	Spearman coefficient
Axis no 1	17	0.87	Between 0.330* and 0.808**
Axis no 2	12	0.82	Between 0.357* and 0.794**
All axis	29	0.90	-

Source: Author's own work.

The Cronbach's alpha coefficients for the first and second axes are 0.87 and 0.82, respectively. Furthermore, the coefficient for all questionnaire axes reached 0.90, exceeding the reference value of 0.60. This indicates that the questionnaire statements are reliable and can be used in the study.

The first axis' internal consistency coefficient, represented by the Spearman correlation coefficient, ranged from 0.330 to 0.808. While the second axis ranged from 0.357 to 0.794. All of these coefficients are significant at the 0.05 level, indicating that the questionnaire's axes are highly valid.

The findings demonstrate the validity of the analysis as well as the sincerity and consistency of the questionnaire axes.

Testing the hypotheses

Before testing the study's hypotheses, the data must be classified based on the degree of agreement.

Table 3: Ranking the degree of agreement on the study axes

Mean	Degree of approval	
1 to 1.80	Strongly Disagree	S-D
1.80 to -2.60	Disagree	D
2.61 to 3.40	Neutral	N
3.41 to 4.20	Agree	A
4.20 to 5	Strongly Agree	S-A

Source: Author's own work.

According to the Studdent table (t-distribution table), the critical t-value at degree of freedom n — 1 = (40 — 1 = 39) and a significance level of 0.05 is 2.023.

The first hypothesis is expressed in the questionnaire's first axis, which consists of 17 paragraphs divided into four dimensions. The hypothesis was tested at a significance level of 0.05 with a one-sample t-test, and the arithmetic means and standard deviation were calculated as follows:

H_0: Auditors in Algeria do not apply all types of analytical procedures during all stages of the auditing process.

H_1: Auditors in Algeria apply all types of analytical procedures during all stages of the auditing process.

Table 4: One Sample t-test for the first hypothesis

Dimensions	No	Paragraphs	Mean	Std. Deviation	T value	Sig value	Approval Degree
Analytical procedures during the planning phase of the audit	1	Applying analytical procedures helps to understand the nature of the client's business	4.300	0.46410	17.716	0.00	S-A
	2	The use of analytical procedures helps to gain a deeper understanding of the information systems within the company.	4.175	0.67511	11.008	0.00	A
	3	Aps empower the auditor to detect underlying risks of fraud and manipulations in the financial statements	4.150	0.76962	9.450	0.00	A
	4	Analytical procedures help identify the items, elements, and accounts that require closer scrutiny	4.275	0.55412	14.552	0.00	S-A
	5	The auditor obtains appropriate evidential support while applying analytical procedures.	3.975	0.76753	8.034	0.00	A
Procedures during the obtaining of audit evidence phase	6	Analytical procedures empower the auditor to identify potential distortions	3.950	0.78283	7.675	0.00	A
	7	Relying on analytical procedures allows the auditor to reduce detailed tests	3.600	0.92819	4.088	0.00	A
	8	Analytical procedures empower the auditor to assess the sufficiency of the evidence gathered.	3.875	0.68641	8.062	0.00	A
	9	Analytical procedures aid the auditor in evaluating the accuracy and fairness of the financial statements, drawing upon their understanding of the audited company.	4.000	0.75107	8.421	0.00	A
Analytical procedures during the conclusion, evaluation and reporting phase	10	Analytical procedures contribute to comparing the actual level of risk with the predetermined level of risk set by the auditor	3.775	0.97369	5.034	0.00	A
	11	Analytical procedures help the auditor adopt a comprehensive and objective view of the financial statements and form a final opinion regarding the financial data's conformity, drawing on the auditor's understanding of the audited company's operations.	4.100	0.70892	9.814	0.00	A
	12	Through the application of analytical procedures, the auditor conducts a comprehensive examination to evaluate the reasonableness of the financial statements as an integrated entity.	3.825	0.87376	5.972	0.00	A
Type of analytical procedures	13	The auditor compares client and industry data	3.725	0.81610	5.619	0.00	A
	14	The auditor compares client data with similar prior-period data	4.300	0.46410	17.716	0.00	S-A

Dimensions	No	Paragraphs	Mean	Std. Deviation	T value	Sig value	Approval Degree
Type of analytical procedures	15	The auditor compares client data with client-determined expected results	3.975	0.86194	7.154	0.00	A
	16	The auditor compares client data with auditor-determined expected results	3.825	0.90263	5.781	0.00	A
	17	The auditor compares client data with expected results using nonfinancial data	3.400	0.93233	3.053	0.00	A
-	-	All Paragraphs	3.975	0.42663	14.454	0.00	A

Source: Author's own work.

According to Table 4, the majority of respondents agree or strongly agree on the extent to which auditors in Algeria use all types of analytical procedures and rely on them throughout the auditing process. The first and fourteenth paragraphs had the highest degree of agreement, with a mean score of 4.300, followed by the fourth paragraph (mean = 4.275), the second paragraph (mean = 4.175), the third paragraph (mean = 4.15), the eleventh paragraph (mean = 4.10), the ninth paragraph (mean = 4), the fifth and fifteenth paragraphs (mean = 3.975), the sixth paragraph (mean = 3.95), the eighth paragraph (mean = 3.875), the twelfth and sixteenth paragraphs (mean = 3.825), and the tenth paragraph (mean = 3.77)

The table also shows that the first axis, "the extent to which auditors in Algeria apply all types of analytical procedures and rely on them during all stages of the auditing process," had an overall arithmetic mean of 3.975. This suggests that the first axis' statements are generally agreed upon.

The results of the one-sample t-test for the first axis show that the calculated t-value is 13.235, which exceeds the critical t-value of 2.02. Furthermore, the significance level (sig) is 0.00, which is lower than the threshold of 0.05. As a result, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1), confirming that Algerian auditors use various types of analytical procedures and rely on them at all stages of the auditing process.

The second hypothesis is embodied in the questionnaire's second axis, which includes 12 items. The hypothesis was tested at a significance level of 0.05 with a one-sample t-test, and the arithmetic means and standard deviation were calculated as follows:

H_0: Analyzing the company's continuity capability through analytical procedures does not contribute to supporting corporate governance.

H_1: Analyzing the company's continuity capability through analytical procedures contributes to supporting corporate governance.

Table 5: One Sample t-test for the second hypothesis

No	Paragraphs	Mean	Std. Deviation	T value	Sig value	Approval Degree
1	The auditor contributes to establishing and	3.8500	0.86380	6.224	0.000	A
2	There is a difference in the audit process between the company applying governance	3.8500	0.89299	6.020	0.000	A
3	Using analytical procedures to analyze the company's continuity enhances the foundations of corporate governance	4.2000	0.79097	9.595	0.000	A
4	Analyzing the company's continuity through analytical procedures contributes to identifying financial problems, thereby strengthening support for corporate governance	3.9750	0.61966	9.951	0.000	A
5	Analyzing the company's ability to continue through analytical procedures contributes to supporting principles of information dissemination and transparency, as well as equal treatment of shareholders and other external investors	4.1250	0.60712	11.720	0.000	A

No	Paragraphs	Mean	Std. Deviation	T value	Sig value	Approval Degree
6	Analytical procedures provide management with the necessary information to assess and isolate risk areas, which supports corpo-	4.0500	0.67748	9.802	0.000	A
7	Analytical procedures help the company's board of directors know the extent of the	4.0250	118.72700	5.460	0.000	A
8	Analytical procedures are a tool to manage the company's resources reasonably, allow-	4.0750	0.61550	11.046	0.000	A
9	Analytical procedures increase the degree of disclosure and transparency and provide the necessary information for decision-making, which contributes to supporting corporate governance	4.1250	0.68641	10.366	0.000	A
10	Signaling deviations in financial statements through analytical procedures contributes to corporate governance	4.1250	0.64798	10.981	0.000	A
11	Analytical procedures enhance the efficiency and quality of audits, thereby contributing to the support of corporate govern-	4.2000	0.51640	14.697	0.000	A
12	The comparisons made through analytical procedures encourage company management and employees to exert more effort to compete in the market, thereby contributing to supporting corporate	4.1500	0.62224	11.689	0.000	A
-	All Paragraphs	4.0346	0.42596	15.362	0.000	A

Source: Author’s own work.

According to Table 5, it is clear that all respondents agree on the extent to which analytical procedures support corporate governance by analyzing the company's continuity capability.

The third and eleventh paragraphs had the highest level of agreement, with a mean score of 4.200, followed by the twelfth paragraph (mean = 4.15), the fifth, ninth, and tenth paragraphs (mean = 4.125), the eighth paragraph (mean = 4.075), the sixth paragraph (mean = 4.05), the seventh paragraph (mean = 4.025), the fourth paragraph (mean = 3.975), and the first and second paragraphs (mean = 3.85), in that order.

The table also shows that the second axis, "the extent to which analytical procedures contribute to supporting corporate governance through analyzing the company's continuity capability," had an overall arithmetic mean of 4.0346. This indicates a general agreement with the paragraphs on the second axis.

The results of the one-sample t-test for the second axis show that the computed t-value is 15.362, which exceeds the critical t-value of 2.02. Furthermore, the significance level (sig) is 0.00, which is lower than the threshold of 0.05. As a result, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1), confirming that analyzing a company's continuity capability using analytical procedures helps to support corporate governance.

Conclusions

The growing interest in corporate governance has shifted focus to auditing as one of the most important external mechanisms for supporting the foundations of corporate governance. So auditing is important for improving transparency and credibility in financial statements, which helps to protect the rights of shareholders and stakeholders. A high-quality audit process is required to ensure shareholders' and stakeholders' rights are protected. Analytical procedures are an important tool for achieving this goal.

APs are one of the most important measures for improving the efficiency and quality of the auditing process. They also help to detect deviations, identify areas of risk for the organization, and assess its continuity. The impact and interrelationship between auditing and governance demonstrate the importance of analytical procedures in supporting corporate governance. The primary goal of this study was to investigate the role of analytical procedures in supporting corporate governance, specifically in light of the mutual relationship between auditing and governance.

The additional knowledge provided by this study, in addition to investigating the role of analytical procedures in supporting corporate governance, also aims to consider analytical procedures as a necessary tool during the auditing process, which must be relied upon throughout various stages of the auditing process. Furthermore, it clarifies the importance of corporate governance, especially considering it as a means to achieve corporate objectives. The results derived from this study could be highly beneficial for accounting and auditing practitioners in the practical aspect, as well as useful for researchers in outlining other perspectives for future studies.

The study also has limitations due to the relatively small sample size analyzed, which impacts the generalizability of the results. However, these limitations could be addressed and expanded upon in future research endeavors. Additionally, one of the main limitations is the restriction of the study to Algeria, which aligns with the researchers' capabilities. Conducting the study in multiple countries would require extensive procedures, such as obtaining university approval for travel and securing travel visas. Furthermore, we were unable to collect data electronically due to the lack of responses to emails from auditing firms in different countries.

For future studies, we intend to explore this topic using a large sample of individuals from various countries around the world. Additionally, we aim to conduct a study on a multinational company to better understand the role of analytical procedures (APs) in supporting governance.

And after completing this study, analyzing the data, and testing the research hypotheses, the first hypothesis, which confirms that auditors in Algeria apply all types of analytical procedures and rely on them throughout all stages of the auditing process, has been confirmed.

The second hypothesis, which confirms that analyzing the company's continuity capability through APs contributes to supporting corporate governance has been confirmed.

This study produced a number of findings, which can be summarized as follows.

Analytical procedures contribute to enhancing the auditor's ability to detect deviations and errors, pinpointing areas warranting further examination. Additionally, these procedures serve as an indicator for identifying financial problems in a company.

Governance aims to define management responsibilities, oversee accountability, improve accounting, financial, and administrative aspects, and ensure transparency. These processes help to detect manipulation, financial fraud, and administrative corruption.

Auditors in Algeria apply analytical procedures during the planning phase of the audit, the testing phase, the conclusion, and the reporting phases.

The auditor's independence increases when the company implements governance practices.

Analytical procedures contribute to supporting corporate governance.

Analytical procedures enhance the efficiency and quality of audits, which contributes to supporting corporate governance.

Analytical procedures provide management with the necessary information to assess and isolate risk areas, which supports corporate governance.

Using analytical procedures to analyze the company's continuity enhances the foundations of corporate governance.

Analytical procedures increase the degree of disclosure and transparency and provide the necessary information for decision-making, which contributes to supporting corporate governance.

References

Abu Sharkh, M.A. (2012). The Impact of Using Analytical Procedures as a Tool for Performance Monitoring and Deviation Detection: A Field Study on Audit Offices in the Gaza Strip Islamic University. Gaza, Palestine.

Al-Hajaia, M. E. (2022). The Extent of Analytical Procedures Implementation (International Standard on Auditing No. 520) in Limited Liability Companies. International Journal of Academic Research in Business and Social Sciences, 12(9), 1-14.

Aljazwi, S.A. & Alrewayati, A.A. (2015). Impact of Libyan External References' use of Analytical Review Methods In Detecting Fraud and Fundamental Mistakes. Doctoral dissertation, University of Benghazi.

Alfonso, M. & Castrillón, C. (2021). The Concept of Corporate Governance. Revista Científica "Visión de Futuro", 25(2), 178-194.

Arens, A.A., Elder, R.J. & Beasley, M.S. (2012). Auditing and Assurance Services: an integrated approach. Prentice Hall, Hoboken.

Banks, E. (2003). Corporate Governance: Financial Responsibility, Controls, and Ethics. Springer, Berlin.

Benaissa, R. & Boussouak, A. (2021). The Role of External Governance Mechanisms in Improving the Financial Performance of the Algerian Economic Institutions. Algerian Review of Economic Development, 8(1), 1-18.

Bendjaballah, A.B. & Chemseddine, A. (2021). The Effect of Applying Analytical Procedures on Audit Quality: An Empirical Study. Journal of the Development Policies and Prospective Studies, 6(2), 384-393.

Borlea, S.N., Achim, M.V. & Breban, L. (2013). Theoretical and Practical Approaches Regarding The Adoption of Corporate Governance Codes. Studia Universitatis" Vasile Goldis" Arad. Seria Stiinte Economice, 23(3), 117-128.

Boufatah, B.B. & Abdelkader, A.Q. (2016). Integrating external audit and internal mechanisms as the basis for activating corporate governance - A case study of economic institutions in the southeastern region of Algeria (El Oued, Ghardaia, and Ouargla). Economic Researcher Review, 4(6), 252-271.

Changawa, J. A. & Theuri, F.S. (2014). The Role of Financial Audits on Effective Corporate Governance in Companies: A Case Study of Coastal Bottlers Limited. International Journal of Sciences: Basic and Applied Research, 14(1), 308-339.

Collin, S.O., Smith, E., Umans, T., Broberg, P. & Tagesson, T. (2008). Mechanisms of Corporate Governance Going International: outlining a theory of and an initial test of the performance effects. Annual Meeting of the Academy of Management 8(1), 1-36.

DeZoort, T. & Salterio, S. (2001). The Effects of Corporate Governance Experience on Audit Committee members' judgments. Auditing: A Journal of Practice & Theory, 20(2), 31-47.

Fan, J.P. & Wong, T.J. (2005). Do External Auditors perform a corporate governance role in emerging markets? Evidence from East Asia. Journal of Accounting Research, 43(1), 35-72.

Ferreira, J. (2018). The role of the external auditor in corporate governance: the case of companies listed in the nyse euronext lisbon. Risk Governance and Control: Financial Markets and Institutions, 8(4), 38-51.

Harwell , W. (2010). The Birth of Corporate Governance. Seattle University Law Review, 33(4), 1-25.

Imoniana, J.O., Antunes, M.T.P., Mattos, S.M. & Maciel, E. (2012). The Analytical Review Procedures in Audit: an exploratory study. Advances in Scientific and Applied Accounting, 5(2), 282-303.

Jerjawi, M., Karaja, O., Al-Balawi, H. & Abu Sharia, I. (2024). The Reality of Administrative Creativity in private universities in the southern Palestinian governorates A field study on a sample (from Al-Israa and Gaza universities). Al-Qirtas Journal of Economic and Commercial Sciences, 3(2), 93-111.

Kostiantyn, B., Larysa, H., Oleksander, Y. & Nataliia, P. (2023). Analytical Procedures of The Audit of Integrated Reporting of Corporate Enterprises. Financial and Credit Activity Problems of Theory and Practice, 3(50), 87-101.

Leonov, P., Anastasia, K., Leonova, E., Michael, E. & Artyom, S. (2020). Visual analysis in identifying a typical indicators of financial statements as an element of artificial intelligence technology in audit. Procedia Computer Science, 169, 710-714.

Lin, K.Z. & Fraser, I.A.M. (2003). The Use of Analytical Procedures by External Auditors in Canada. Journal of International Accounting, Auditing and Taxation, 12(2), 153-168.

Maassen, G. F. (1999). An international comparison of corporate governance models. Spencer Stuart, Amsterdam.

Matrood, A.K. & Khilkhal, N.S. (2019). The Impact of Applying Analytical Procedures by External Auditor in Accordance with ISA 520 on Audit Performance Improvement: An Exploratory Study in the Iraqi Audit Firms and Companies. Academy of Accounting and Financial Studies Journal, 23(1), 1-21.

Moussa, A.M. (2013). Analytical Audit Procedures and Their Role in Enhancing Auditors' Professional Judgment. University Journal, 5(2), 309-342.

Noubbigh, E. (2008). Impact de la Gouvernance et de L'audit sur la Performance de L'entreprise. LA Comptabilite, Le Contrôle Et L'audit Entre Changement Et Stabilite. HAL Sciences Humaines et Sociales, France.

Pinho, C. S., dos Santos, P.G. & Martins, A.E. (2023). Why Auditors Increasingly Rely on Analytical Procedures: An Empirical Approach in Portugal. International Journal of Professional Business Review, 8(10), 1-13.

Rose, A.M., Rose, J.M., Suh, I. & Thibodeau, J.C. (2020). Analytical Procedures: Are More Good Ideas Always Better for Audit Quality? Behavioral Research in Accounting, 32(1), 37-49.

Suzana, G., Vjollca, K. & Albana, G. (2012). Corporate Governance and Audit. China-USA Business Review, 11(2), 253-267.

Vukčević, Z. (2012). Importance of Corporate Governance. International Journal of Economics & Law, 2(5), 147-152.