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*Original Research Article*

## The impact of Performance evaluation measures and strategic analysis on Auditors' risk assessments

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**In this study, performance standards, performance evaluation and strategic analysis of auditors' risk assessment have been studied. Strategic analysis is a tool that auditors for assessing the strategic situation identify success factors and identify the factors the company's failure to achieve the desired goal has been used. The overall results of this study indicate that measures and strategic analysis, impact on auditors' assessment of risk. In this study, using data collected from 130 respondents to a questionnaire Survey to assess the impact of administrative measures and strategic analysis on auditors' risk assessment has been studied. As the test results show that Measures and strategic analysis on auditors' assessment of risk impact, Information obtained from external (industry) performance evaluation criteria to internal much more is being affected. In addition, auditors use strategic analysis better than auditors that only use the information contained in the company are affected.**

**Keywords:** Strategic Analysis, Standards, Audit Risk.

### INTRODUCTION

Using the audit criteria and strategic analysis of significant tissues, particularly Knechel researchers and colleagues (2008), Saltryv and colleagues (2008), and Banutile Fatemi (1383) are in recent years. A criterion, a set of indicators, measures its own audit findings to reach logical conclusions.

Due to rapid change and increased competition in the global economic managers to pay more attention to the economy, efficiency and effectiveness of operations are focused. Because the independent auditors, internal auditors, the skills necessary to perform an operational audit have earned, in most cases will be assigned. Operational audit is a procedure that will help to auditors determine the extent of management of resources at their disposal, the most economical and the efficient operation to achieve the most results effective is possible. (Ryder 1, 1380, 2)

It has been argued that strategic analysis overcomes the alleged deficiencies of the traditional approach towards understanding the client business (UCB) by treating the financial statements as the end product of the client's strategy and the business processes used to implement such a strategy (Salterio and Weirich 2001, 7). SA views a client entity as an

open system that is able to adapt to changes in the external and internal environment by coordinating its business processes in order to attain its goals (Jackson 1991, 46).

Thus, SA allows for the creation of an explicit mental model of a client's business. This model includes the impact of the business risks on the client's business processes, and ultimately, through identification of unmitigated risks, on the client's financial statements (Choy and King 2003; Knechel 2001, 132-143.)

When using SA, the auditor performs a rigorous analysis of CBR. CBR is the risk that an entity's business objectives will not be attained or its strategies will not be executed as a result of the external and internal factors, pressures, and forces adversely impacting the entity and, ultimately, the risk associated with the entity's survival and profitability (Bell et al. 1997; Knechel 2001, 124; AICPA-ASB 2002, 9; Messier 2003, 98). The auditor evaluates how well the client's strategic planning process matches environmental threats with corporate capabilities. To assess CBR, the auditor evaluates and documents macro-economic, industry-level, and firm-specific strategic risk factors, as well as management's

reactions to those risks. Therefore, SA should allow an auditor to understand the potential relationship of a client’s strategy to their accounting choices, estimates, and financial statement disclosures (Eilifsen et al. 2001; Knechel 2001; Bell et al. 2002). The auditor’s assessment of CBR impacts judgments regarding the RMM. Assessments of CBR and RMM influence detection, risk, which in turn affects the audit plan (see Figure 1). Auditors reduce audit risk to an acceptable level by making choices regarding the nature, timing, and extent of substantive tests (e.g., tests of transactions, analytical procedures, and tests of account balances). Thus, if SA enhances audit effectiveness, the improvement should exhibit itself through more accurate entity-level risk assessments and audit plans that more appropriately address the areas of potential misstatements within the client entity’s business processes (Lemon et al. 2000; Salterio and Weirich2001).

To acquire an understanding of a client’s business using SA, auditors perform the following activities (based on Bell et al. 1997; KPMG 1997; Lemon et al. 2000; Knechel 2001; Salterio and Weirich 2001; Bell et al. 2002):

(1) Develop an understanding of the client’s strategic position within the context of the existing structure and dynamics of the client’s industry, and how this position was achieved; identify core products and services that allow the client to create value and maintain a competitive advantage; identify collaborative alliances in which client participates; understand the main external business risks/threats to the client and how the client mitigates those risks via business processes and management controls;

(2) Develop an understanding of the client’s strategic management processes that allow for the attainment of a “fit” between its strategy and external risks in areas of business operations, financial reporting, and compliance; identify critical success factors for strategy formulation/implementation and performance indicators used by management to assess the attainment of strategic goals and objectives;

(3) Use information obtained in (1) and (2) to develop an understanding of the client’s business processes, and subsequently, develop expectations about key financial statement assertions and assess the audit implications at more detailed levels of analysis, i.e. at the level of processes and accounts.

Effectiveness, efficiency and economy 3 key factors of success and failures are leaders of the economic unit. Operational Audit and related services it is tools that aim to help managers’ better and better leader to guide entities in developed countries has been born (Safar, 1376, 3).

To answer the research questions, according to research conducted by Robert Knechel 1, et al (2008) have used the following assumptions, Hypotheses formulated in connection with a question.

**2. Research Hypotheses**

1- Measures on auditors' assessment of risk impact, Information obtained from external (industry) performance evaluation criteria to internal much more is been affected.

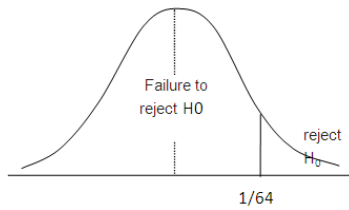
The mean difference of 3	the significance level	degrees of freedom	t	standard deviation	Of the mean	number	The first hypothesis
0/63	0/000	126	13/32	0/53	3/63	130	Performance criteria to evaluate the performance
The mean difference of 3	the significance level	degrees of freedom	t	standard deviation	Of the mean	number	The first sub-hypothesis
0/41	0/000	126	6/34	0/72	3/41	130	Performance criteria to evaluate the performance and measurable entity

2- Strategic analysis on auditors' assessment of risk impact, Information obtained from external (industry) performance evaluation criteria to internal much more is been affected.

The mean difference of 3	the significance level	degrees of freedom	t	standard deviation	Of the mean	number	The second –sub hypothesis
0/96	0/000	126	15/45	0/70	3/96	130	Strategic Analysis
The mean difference of 3	the significance level	degrees of freedom	t	standard deviation	Of the mean	number	The second-hypothesis
1/21	0/000	126	20/43	0/67	4/21	130	Specific strategic analysis of business unit performance

All of the hypotheses are confirmed.

$$\begin{cases} H_0 : M_D \leq 3 \\ H_1 : M_D > 3 \end{cases}$$



**Sign Test for Median: C1; C2; C3; C4**

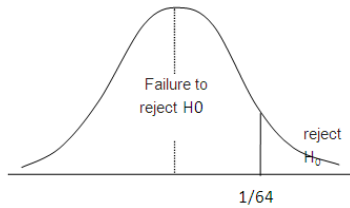
Sign test of median = 3.000 versus > 3.000

	N	Below	Equal	Above	P	Median
C1	130	11	7	109	0.0000	3.670
C2	130	16	18	93	0.0000	3.500
C3	130	9	5	113	0.0000	4.000
C4	130	4	4	119	0.0000	4.330

A frequency tables questions

very high	high	medium	low	ofverylow	Questionnumber/percentage	Questions
10	38	48	9	25	number	1
5/5	29/9	37/8	7/1	19/7	%	
54	68	8			number	2
40/2	53/5	6/3			%	
16	73	35	1	5	number	3
10/2	57/5	27/6	0/8	3/9	%	
12	70	37	3	8	number	4
7/1	55/1	29/1	2/4	6/3	%	
12	66	43		9	number	5
7/1	52/0	33/9		7/1	%	
22	64	39	1	4	number	6
15/0	50/4	30/7	0/8	3/1	%	
8	67	46		9	number	7
3/9	52/8	36/2		7/1	%	
9	48	61	2	10	number	8
4/7	37/8	48/0	1/6	7/9	%	
8	60	49	3	10	number	9
3/9	47/2	38/6	2/4	7/9	%	
7	79	31	2	11	number	10
3/1	62/2	24/4	1/6	8/7	%	
24	88	15		3	number	11
16/5	69/3	11/8		2/4	%	
36	71	17	1	5	number	12
26/0	55/9	13/4	0/8	3/9	%	
30	74	19	1	6	number	13
21/3	58/3	15/0	0/8	4/7	%	

$$\begin{cases} H_0 : M_D \leq 3 \\ H_1 : M_D > 3 \end{cases}$$



**Sign Test for Median: C1; C2; C3; C4**

Sign test of median = 3.000 versus > 3.000

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7/1	55/1	29/1	2/4	6/3	%	
12	66	43		9	number	5
7/1	52/0	33/9		7/1	%	
22	64	39	1	4	number	6
15/0	50/4	30/7	0/8	3/1	%	
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3/9	47/2	38/6	2/4	7/9	%	
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30	74	19	1	6	number	13
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### 3. Data Description

In this study, we analyze the obtained data, descriptive and inferential statistical methods are used. Cronbach's alpha coefficient to measure the reliability of the questionnaire used, to determine the relationship between this question and a hypothesis R, t test and sign test can be used. In order to analyze the data and test high statistical software - SPSS software and Excel and 15SPSS 14Minitab be used. Inferential methods have used.

**T-test:** In order to approve the assumptions used in this case, the mean response with mediocrity, the average value of options (3) has been tested.

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### 4. Conclusion

Research results leading to an incorrect assessment of risk reduction audit of the company's performance and provide appropriate recommendations to management to improve operations within the effectiveness, efficiency and economy are. This can be used by auditors and regulatory bodies. Performance standards, performance evaluation and strategic analysis of auditors' risk assessment have been studied.

Strategic analysis is a tool that auditors for assessing the strategic situation identify success factors and identify the factors the company's failure to achieve the desired goal has been used. The overall results of this study indicate that measures and strategic analysis, impact on auditors' assessment of risk.