

*The Role of The Financial Audit Report on the Decision-Making
In the Economic Institution An analytical study of SONATRACH*

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Abstract :

Introduction: This study aims to analyze and determine the role of the financial audit report on decision-making in SONATRACH. Hence, it focuses on using different models and tools to ensure hypotheses test and purposes achievement.

Results: Findings show that the financial audit report is financial information that has quality. Moreover, the financial audit impacts the integrity and equity of the financial situation; Therefore, its role is to support the board of directors to control the financial performance, keep up, and improve institutional purposes and activities.

Discussion: Through the analysis of the financial and administrative activities and performance, the financial audit report is a reliable indicator in decision-making in SONATRACH from the perspective of support, confirmation, and evaluation.

Keywords: Financial Audit Report, Decision-Making.

JEL classification codes: D81 ; D7 ; M42

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Introduction

The alternatives adopted by decision-making are seen as the set of qualitative and quantitative information used, the analysis and evaluation of which is prepared, to create an effective synthesis of a situation or activity, and its implementation in the form of decision-making. Therefore, based on that information, we find the quality of the financial audit report, that explains and presents an honest image of the financial situation, and to determine the reality of financial performance of a certain pe, the report is submitted to the management of the institution to contribute to a different rationalization. The main objective of the financial audit is therefore the report in which the technical advice is used as an alternative to the company's decisions, As such, this research paper will provide insight into the essence of the relationship between the financial audit report and the decision-making process.

This relationship has involved many researchers and those interested in finance and accountancy in recent times. The report is considered to be the cornerstone of the financial audit function and is always linked to the purposes for which it is used, Many audit investigators summarize that the reason for the financial audit function lies in its quality reports, which contribute to the decision-making process, building confidence by expressing the objective opinion of the investigator and uncovering the most significant concerns mentioned.

It is intended to show the credibility of the financial statements, to provide a tool to ensure communication between the corporate finance supervisor and the management of the enterprise and decision marker, through the exchange of accounting information and information of a financial nature in the form of corrective action or confirmation, And possibly an opinion whether the audit function is an internal function of an institution: Ensures effective decision-making by anticipating and correcting past or current variances in the company's financial position.

1. Search problem :

How does the financial audit report help support and streamline the decision-making process at SONATRACH?

This problem is solved by answering the following sub-questions :

- What is the motivation for adopting the financial audit report to draw, make and validate decisions?

- How does the financial audit report impact and contribute to decision-making at SONATRACH?

2. Search hypothesis :

A financial audit report is an effective tool, and one of the key alternatives is to help streamline decisions in a Sonatrach case study.

3. Search objective :

To attempt to clarify and analyze the effectiveness and contribution of the financial audit report and its adoption as an available alternative to the rationalization of decisions.

4. Research Methodology

In order to answer the research problem, the approach used is the descriptive approach to analyze how the financial audit report contributes to and affects the areas of decision-making in Sonatrach, with a description of the relationship between them.

5. Search hubs :

- **The First pass:** The definition framework for financial audit and decision-making.
- **The Second pass:** Analysis of the role of the financial audit report in decision-making.
- **Third pass:** Contribution of the financial audit report to decision-making.

I. Definition framework for financial audit and decision-making

1. Definition and relevance of a financial audit report

- **First definition:** The explanation resulting from the financial audit process, performed by the auditor after inspection and verification of the credibility and validity of the financial statements provided as an alternative to decision-making (Lois & Jenny, 2009).

- **Second definition:** The financial audit report represents a set of qualitative financial statements containing information needed and available for decision-making by management and users (Robert, 2007) This highlights it as a key entry point in improving the quality of information content, which takes into account international standards within the scope of existing regulations and regulations, to ensure efficiency, effectiveness, and achievement of goals (Majed Kabajeh, Ayman, & two other authors, 2012). In their definition, Stewart Minroll I and I are "a report on the output of the post, through the examination of accounts and balance sheets," based on this definition, the location of the report can be seen as

the foundation and basis of the audit function, given its importance and contribution to the service and decision of the Department (Derrouis, 2010).

The definition of a financial audit report can be inferred as :

"A financial information framework on the financial situation, containing many meanings, indications, and indicators, can be trusted and accepted for use in building and streamlining the financial, investment, and functional decisions of managers of economic enterprises.

The publication and availability of the financial audit report and the disclosure thereof will contribute to the fair and credible nature of the practices of economic institutions, the availability of data by the principles of accountability and transparency, including the activation of the principles of governance, which ensures and contributes to the regulation of professional performance through performance quality control standards.

According to the researchers, "Stewart. j and Minroll 1 " The main objective of the financial audit report is to :

- Achieving an emphasis on the accuracy and credibility of information by Achieving an ongoing disclosed system ;
- Disclosure of estimated data by the investigator in his report along with historical information ;
- The investigator works to provide more protection and support to the users of the financial statements by effectively delivering information and verifying its quality and completeness on the financial statements. (Stewart & Minroll, 2007) ;
- Issue an impartial opinion indicating the compatibility of what on the financial statements and its source ;
- The modern objective of scrutiny is the foundation of the process of corporate scrutiny and that objective and precise view through its type, nature, and significance.

In the same vein, the researcher Robert C. Pozen summarizes the objective of financial scrutiny by speaking of the role of corporate audit committees ;

The audit of the financial statements of the Foundation helps to determine the financial position of the Enterprise, as well as to determine that such statements provide a reasonably complete and accurate picture of the financial position of the Enterprise and thus consider it to be a function And a task of great importance at present given the increasing and expanding areas of financial and business (Robert C, 2011).

The Financial Audit Report also aims to try to limit and control profit management practices and shows the integrity of the enterprise's procedures, which El-Fiumi defines as "The process of carefully considered action in applying the intensity of accepted accounting principles, to achieve the required level of profit declared in the financial statements (Nedal, Bana, & David, 2010).

According to the "Willingham" researcher: "The investigator ensures that the risk of detection is reduced to a minimum and acceptable level," so that the audit report supports the credibility of those submissions and the status of the enterprise, as an assurance tool that shows the fair and true picture of the achievement of the common stakeholders' goals (Mary F, David M, & Mark, 2005).

2. Definition of decision-making in an economic institution In the view of Monzural Alam, decision-making is often complex, as it is linked to several factors, since the decision is to choose an alternative from among the many alternatives that are reasonably available and using accumulated experience and knowledge, to inform and make them more useful at the trade-off stage (Monzural, 2013). It's a well-thought-out method that requires the manager to choose a way of doing business out of many possible alternatives, and what's included in the basis of the planning process (Mato, Ana, & Ivan, 2015).

It is clear here that decision-making is the process that ensures a trade-off between several available alternatives (information), rationally and objectively, to select the optimal alternative and implement it to ensure that the objectives are achieved. The most important objectives for decision-making in an economic institution can be defined in the following elements :

The decision-making process of the economic institution provides the capacity to analyze, correct, and evaluate the position and situations of the institution, based on the resolution of administrative and operational problems (Shannon E & And others, 2016).

Decision-making analyses contribute to the experience and learning of the organization's managers by increasing the capacity to control posts, thereby increasing the level of administrative and financial performance and ensuring continuous improvement of the organization's activities (Michel C & Lori, 2014).

The goals of decision-making can only be achieved through several factors, notably the identification of key actions and the assessment of factors affecting the resolution since the resolution is an activity aimed at resolving an acceptable situation or problem (Wydzial, 2016). identifying the resources and information available to support them, and determining their quality, where such factors help the Organization to understand decisions and thus make them more effective.

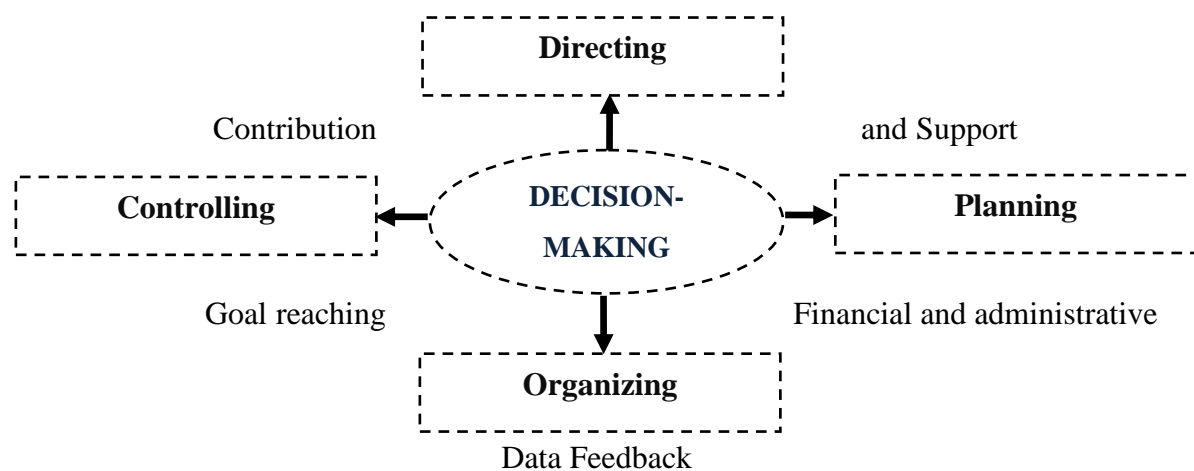
Decision-making contributes to the rationalization of the use of enterprise

resources according to Chris Argyris, drawing on the degree of innovation and flexibility to reduce the risks that may impede targets, such as decisions associated with new investments, here, given the high confidence of the decision-maker in the information it adopts, it will help management to reduce uncertainty and its impact (Cheris, 2001). Relying on active participation in the decision-making process, neutralizing and reducing bias at the organizational level to engage the ideas of other marchers through proposals and activating communication within the institution (Daniel, 2011).

Decision-making is an effective means or tool for achieving the activities and function of economic institution management ensuring continuity, growth, and achievement of goals through its applications in the form of operational actions and programs, but decision-making objectives can only be achieved through several factors, notably: Identification of key decision and assessment of the circumstances under which the resolution is affected as the resolution is an activity aimed at resolving a situation or problem by finding a satisfactory and acceptable solution (Wydział O. 2016).

This is because decision-making provides many advantages and contributes to supporting the functions of an enterprise's management, ensuring coordination. Its goals are derived from the function it offers to achieve its objectives, which is explained in the following form.

Figure 01: The role of Decision-Making in management functions.



Sources: Prepared by the student, depending on: Paul R. Lawrence and Jay W. Lorsch, *New Management Job: The Integrator*, Harvard Business Review.

It follows from the format that the decision-making function has a central role to play in ensuring the functioning of enterprise management through (supporting, emphasizing, contributing to their activation, valuing, and rationalizing different practices.) Based on these decision-making factors, the relationship between decisions and the achievement of goals can be interpreted

as an integration function by contributing to the functioning of activities and functions to the achievement of the goals of the organization, in the sense that whenever functional decisions are made by the management of the organization, it is an effective tool to ensure the achievement of objectives.

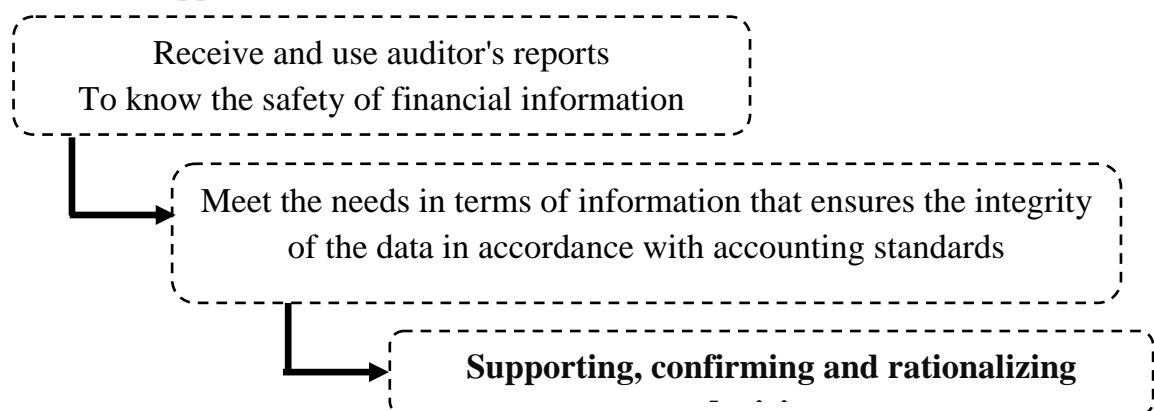
Identifying the role of the decision and the information available to support it, and determining its quality, where such factors help the organization to understand the decisions, making them more effective, through consultation, framing, discussion, analysis, and trade-offs of alternatives, and reducing the uncertainty that gives a vision to the economic institution (Thomas H, 2009).

II Analysis of the role of the financial audit report in decision-making

1. Location of the audit report and its relationship to the decision-making process

The location of the financial audit output and its functional relationship in supporting and servicing decisions in an economic institution can be explained by the model used in the figure below, which attempts to describe the analysis of that relationship, only what researchers have said. "Marcia W, Blenko, Michael C, Paul Rogers" considers that an enterprise's performance and decision-making are closely linked, supported by financial checks, identification of weaknesses, and orientation towards scrutiny or review and reorganization of decisions. Determining decisions from audit reports, determining where decisions should be made, as well as the need to regulate the structure and sources of value of the enterprise, and how decisions are made quickly and easily (Marcia W, Michel C, & Paul, 2010)

Figure 02: Location of the financial audit report and its functional relationship with decision support.



Sources : Eustache Ebondo Mandzila, (2015), Le Rapport d’audit : vers un outil d'aide à la décision, Parcours : Audit et Expertise, Kedge Business School, France.

The most important available sources of decision-making can be found in the Financial Audit Report, which shows its location and relationship to and rationalization of decision-making areas as contributing to support and emphasis in the economic institution.

The general idea of the format is that rational decisions focus on the appropriateness of available information, which is the alternative from several sources, including the most important source of decision support, the Financial Audit Report, which has many connotations and indicators from the expression of opinion, and the availability of decision-makers for use, from which the Financial Audit Report can be described as a tool for describing management functions and objectives.

Investors and board members are aware that the manipulation of decisions to manage profits in the short term is the main risk to the real objectives of the enterprise. The investigator contributes effectively to correcting the status and credibility of the financial institution. Decisions are therefore effective because of the service of the audit report and the technical opinion it holds, and the disclosure of operational decisions. Most vulnerable to manipulation, to determine whether they are manufactured for commercial reasons or to artificially enhance financial results, this role is due to the task of financial scrutiny, which determines and discovers the proper management of the enterprise from these practices (David & David, 2016, p05)

The purpose of the audit report, through its use, is to correct the investment and financing decisions of the economic enterprise. It often requires and requires management to reverse its decisions in the form of a correction of deviations and incorrect decisions that it has made. The content of the report ensures the integrity and effectiveness of its decisions through numerous evidence and evidence provided by the financial investigator.

Through this connection, the extent to which the audit report relates to the decisions of the management of the economic enterprise is illustrated by their interactive integrative relationship.

On the other hand, we can sometimes find the negative impact of a financial audit report on decision-making processes, and given the existing relationship, whatever comes out on the audit side will be reflected in the form of routine decisions and procedures for implementing the activities of the enterprise. Normally, the decision-maker would be based on statements of opinion in the report as a tool for carrying quality information, and if the reality and performance of the audit function were examined, there might sometimes be risks arising from the audit.

The **IFAC** defines the risks of the financial auditor as: "The possibility of a non-institutional, sound and inappropriate statement of opinion corresponding to the status of the balance sheets, as a result of substantial distortions. From this, decisions will be skewed and not rationalized. "Increased ability of the investigator to detect errors, deviations and accounting irregularities in the balance sheets, including increased independence » (Li Dangelo, 2004, p15).

The International Auditing Standards and Assurance Board (**IAASB**) notes the importance of the quality and output of the audit, given the compatibility with the broader context of good and effective financial reporting. Through the International Quality Control Standard, the International Board of Audit has guided practice to increase efficiency, because the Financial Audit Report is at the core of the financial audit function (IAASB-CAG, 2011)

In addition, **KPGM** indicated that the quality of the audit report depended on the availability of the necessary information and explanations on the reasonable and objective assurance of financial statements from the balance sheets and that they had substantial risks, allowing for their proper use by the principle of adequate and equitable disclosure.

2. Audit Report as Information Available for Decision

The contents of the report are quality information, provided as an alternative to decision-making since the information available in the investigator's report is very important, credible, and can be used as an alternative to decision-making. The financial investigator's objective opinion will therefore contribute to supporting and improving the quality and availability of information to rationalize the decision-making process. The overall output of the financial audit is assumed to be of good quality, including the possibility of being trusted and adopted on the assumption that there is no risk to the task.

The financial audit report may have a significant impact on the decision-making process if adopted positively or take a negative impact on the credibility of the requirements of the financial audit function, which will transparently disclose the fairness of the organization's financial statements as reflected in its true status, thereby increasing confidence in and support for them, as required by the enterprise's economic management.

The relationship between decision-making inputs in the form of available information and data from several sources of knowledge accumulation in the institution, where the financial audit report site is shown as one of the basic and essential information that is used and used to rationalize decision-making: Users of institution information and data seek to analyze the financial position to make

an accurate and appropriate decision based on the data of the audit report, which ensures relevance and reliability (David H & Howard C, 2007).

This is to systematically apply ideas and knowledge to decision-making and decision-making, ensuring that multiple objectives are achieved, based on the choice based on trade-offs of information in line with the theory of expected benefit (Alian, 2011, p141) It follows from the financial audit report that it is qualitative information of a financial nature, which improves the ability of decision-makers to predict expected results or correct deviations from past and current projections, as part of financial and strategic decisions (Laura, 2015, p18) Their positive Impact depends on the accuracy of their data. In addition, the financial audit report provides for follow-up and evaluation of decisions, to determine their integrity, deviations, and corrections.

The audit opinion report on the fairness and credibility of the balance sheets, which ensures that the integrity of the enterprise's procedures is confirmed by the corporate realities, is a pillar of the financial audit function that is communicated to management and stakeholders for use in areas of governance, in particular the trading and decision-making process, where the reports of the audit function are of high quality and performance, free of fundamental distortions and sufficiently credible and expressive.

It is devoid of fundamental distortions and is credible and sufficiently disclosed in statements of opinion, whenever the organization's management can use it effectively to ensure that its administrative and financial practices are streamlined and that its objectives are achieved.

The Financial Audit Report is a highly reliable supporting tool for achieving management objectives in the operation of its activities and functions by relying on it, being quality information to reduce and rationalize the uncertainty gap in decision-making because the accounting system output for decision-making is reliable only if supported and validated. This is essentially the task of financial scrutiny and what that translates is the opinion of the technical checker in the form of decision-making.

Based on the foregoing, financial scrutiny and decision-making are considered to be the foundation of the institution's current existence, given its important function as well as the complementary relationship that guarantees and contributes to the achievement of the objectives.

As part of this research framework, several objectives can be derived, including :

- The financial audit report helps to identify the most important qualifications, ensuring feedback and correcting deviations from the

financial performance of the Institution, as well as increasing confidence and support for the statements of the financial statements ;

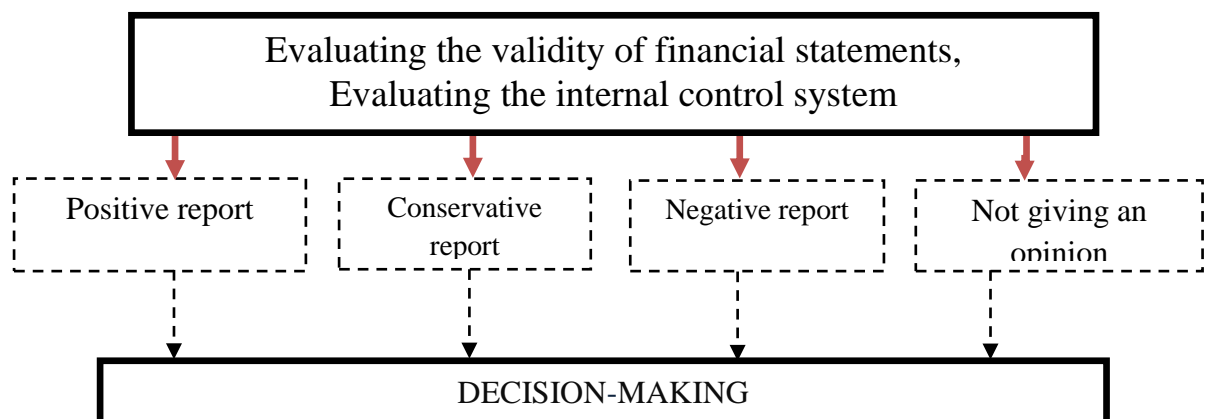
- The information available in the financial investigator’s report is usually of quality, relevant and credible and can be used as an alternative to decision-making.

3. The main pillars of the institution's current functioning are the function of financial scrutiny and decision-making.

Not only does the management of SONATRACH reflect the audit opinion that it describes the adequacy of published and listed financial statements, from the adoption of standard accounting standards and principles, but it is also seen from the perspective of how the report is used in the administrative and financial field as one of the main pillars of the financial report describing the annual performance of the enterprise, and how it is used in the decision-making and building process which is the foundation of the enterprise’s growth and why it is currently operational, What is the reality of improvements to make the report the report more relevant and to make more use of it in the process of decision-building and rationalization? As a tool and as a technical tool with an objective dimension (Mikol, 2011).

Analysis of the impact of research variables, through the breakdown of financial audit report classifications as a separate variable and the impact relationship between them and decision-making as a dependent variable, will be addressed through the format describing this impact in the following :

Figure 03: Impact analysis of the variables considered (financial audit and decision-making report)



Source: Preparation of researchers, based on analysis of the relationship between the audit report and decision-making.

This format explains the analysis of the role of the financial audit report in decision-making, where it refers to the impact relationship of the independent variable in determining the fairness and credibility of the balance sheets, and of

determining the effectiveness and efficiency of the internal control system, classified according to the nature of the content and designation of the report into a positive report. (Clean) and a negative report, in addition to a qualified investigator's report or a lack of opinion, such that the relationship between audit reports and decision-making is one of functional influence and complementarity.

4. Financial Audit Report Website from the Financial Report of the Foundation

After examining the main administrative and financial documents of the Foundation, the annual financial report, which carries many transparent disclosure data, and relies on financial reporting standards on the performance of the SONATRACH during the financial year, which explains many of the analytical and investment indications, as is the case internationally, we find that one of the components of the annual financial report, the uncle of the financial statements contained in the financial audit report, and on that basis, the possibility of building the hypotheses of adopting it.

Figure 04: Financial audit report from the financial report.

Annual Financial Report	
Financial Statements	Annual Report
Activities for the fiscal year	Financial Audit Report

Source: Preparation of researchers.

The above figure shows that the Financial Audit Report is one of the important pillars and hubs of the Enterprise Report by being a list-supporting tool for the credibility of the balance sheets and one of the alternatives available to management in analysis, building, and decision-making. Users of information and data in the enterprise seek to analyze the financial position to make accurate and appropriate decisions, based on the date of the audit report, which ensures relevance and reliability.

This is to systematically apply ideas and knowledge to decision-making, ensuring that multiple objectives are achieved, based on the choice based on trade-offs of information, in line with the theory of expected benefit (David H & Howard C, 2007).

It follows from the financial audit report that it is qualitative information of a financial nature that improves the ability of decision-makers to predict expected results or correct deviations from past and current projections, as this is part of financial and strategic decisions (Alian, 2011). Their positive impact depends on the accuracy of their data.

Contributing to the production of quality reports describing the effectiveness of the internal control systems and the financial status of the enterprise appropriately and fairly, to serve the principle of adequate and transparent disclosure of the integrity of the financial position and management procedures, supports the operational and strategic decisions of the governing body. Therefore, a system of control of financial practices necessarily requires the existence of a financial audit function, as a subordinate function reflecting its principles, through protection and support for the decisions and directions of the executive management of SONATRACH.

III. Contribution of the financial audit report to decision-making in SONATRACH

It can be pointed out that the ideal role of the financial audit function (function) of a SONATRACH Institution is that the weight of a financial audit is of great importance through its functions, which it guarantees, in being a tool for correcting deviations, helping to rationalize decisions, defining the financial positions of economic units, and adhering to standards and regulations, including performance controls. Which in its approaches to the financial functions of the institution, is referred to below.

- Participation in the dissemination of reports that identify and contribute to the possibility of judging sector indicators ;
- Work on liquidation, rescheduling, and restructuring of public institutions ;
Assist supervisors and guardians in designing serious
- Compliant accounting standards ;
- Legal oversight of public companies and institutions of a commercial, industrial or administrative nature.

1. Financial audit and decision-making function in SONATRACH

With the evolution of the size and activities of SONATRACH Institution, accompanied by an in-depth development of the financial scrutiny mechanisms used and the importance and mandatory requirements in the business environment and its variables; It is clear that the essence of the financial audit process, its stages and the mechanisms for its application by the independent and impartial professional are to produce an impartial opinion, which is to report to me and contribute to the objectives, as well as to explain the status of the financial statements.

That reflects the activity and status of SONATRACH, in so doing, the proper preparation of such financial statements and the quality of the standard

accounting principles and standards. Both the examination and the investigation take place in the form of a report with several characteristics issued by the investigator and submitted to the relevant parties of the enterprise for use in the trading and decision-making processes that achieve and sustain the conduct of the activities to achieve and achieve the objectives. Researchers will try to highlight the description of this function and the importance of its output by :

2. Description of the financial audit and decision-making function

The identification of a separate function, represented by the financial audit of the economic institution, is considered to be important and mandatory through its objectives and the motives for adopting this entity to support its confidence in the output of the accounting process,

Which determines the financial position, by :

- The technical financial auditor will often ensure the highest possible quality to support the credibility of the data provided and compiled in the financial statement forms prepared. Through the Financial Audit Report, senior management will have a model or tool that will contribute to the confirmation and building of decisions, as it is a quality tool in the form of a model report with an impartial opinion, based on international standards, to produce ;
- The Financial Auditor of the Foundation also works to ensure that financial data and information are protected and made available to its users at the time of request for use and evaluation of activities.
- The main objective of the Financial Audit is to assess the oversight aspects of the Enterprise, thereby helping it to manage its functions, and only senior management to plan and develop the necessary policies and procedures.
- The practices of the SONATRACH financial audit function ensure that financial statements are thoroughly and fairly examined to verify that they are effective and that a report containing his technical and impartial opinion of the internal control system, the integrity, and credibility of the financial statements has already been produced. " In addition to supporting the fairness and honesty of SONATRACH financial lists, as well as the use of the Financial Auditor's provision for the internal control system and the integrity of its controlled operations, while clarifying the soundness of the policies adopted by the administrative and financial functions and the deviations resulting therefrom ;
- In addition to supporting the credibility of the financial statements of the Foundation, as well as the use of the Financial Auditor's provision for the internal control system and the integrity of its controlled operations, while

clarifying the integrity of the policies adopted by the administrative and financial functions and the resulting deviations ;

- It contributes to providing the management of SONATRACH with several written recommendations, based on the convening of public councils and associations, concerning the internal control system and the accounting and financial information system, without being involved in decision-making.
- The responsibility for financial scrutiny and the reports it adds, being a very large responsibility of the enterprise, to protect the funds of the enterprise from theft or financial corruption, unwanted activities, as well as to prevent errors and fraud and reduce the chances of their commission, lies with the administration and its officials. Here, we refer to the role of this vital function. The role internal audit function is therefore to examine and verify, evaluate internal control systems and assist management at all levels to improve the organization's activities, through evaluation and expression of opinion.
- The role internal audit function is, therefore, to examine and verify, evaluate internal control systems and assist management at all levels to improve the organization's activities, through evaluation and expression of opinion.
- The financial audit function is also based on the selective examination of the balance sheets, to verify that the activities of the enterprise reflect the honest and fair picture of the accounts listed, to express the founding and justified opinion.

The position of the financial audit function in the functional organizational structure of the enterprise translates its relevance and highlights its importance and contribution to the achievement of the objectives of the enterprise through, inter alia, the following functions, and roles :

- Provision of advisory and assurance services in the area of the activities and function of the institution to ensure rationalization of decisions ;
- Assists and provides periodic reports on the integrity and efficiency of the procedures of the enterprise internal control system.

They also prioritize investments and increase or reduce capital It also ensures the follow-up of profit distribution and allocation of legal reserves, all of which fall within the framework of the building and making investment financing and operational decisions of SONATRACH, thereby protecting private funds outside the scope of administrative practices, ensuring public obligations, the economic direction of the State and adopting social

responsibility: The audit goes beyond financial control and accounting operations, covering all sectors, activities and operational operations of the company, and its work is limited to various functions, services, and operations. Through financial scrutiny, the operations of the various functions are audited to make the improvements necessary to achieve a good application of the policies and procedures of the enterprise.

3. Analysis of the financial audit function, its reports, and decision-making in SONATRACH Institution.

The financial audit function is seen as a control and assurance tool at all levels, providing oversight of the financial and administrative management systems of the enterprise, in its effective and independent role, providing quality information for the management, so that it can be used to ensure the most effective and appropriate achievement of objectives.

The relevance of the position to the institution is as follows :

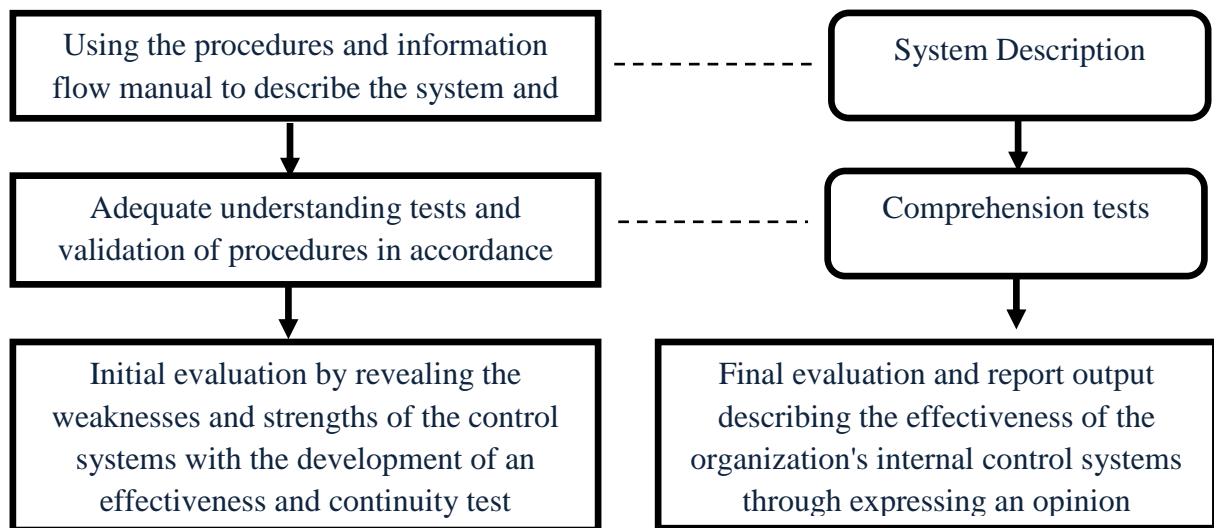
- As a tool for providing information in investment, finance, and operations, the Financial Auditor acts by participating in the evaluation of available alternatives as a forward-looking and independent internal entity, seeking to support and rationalize decision-making, thereby achieving optimal performance ;
- The financial audit function is considered to be the principal body or source for building information from the information derived from its reports. The financial audit function is designed to evaluate activities to achieve the objectives of the enterprise and correct deviations, through the periodic description of the financial and administrative system ;
- The financial audit function is located at the center of the administrative functions of the enterprise. It seeks to duplicate the financial and administrative functions by being a means of communication between the Board of Directors and the other accredited directorates of the enterprise.
- The internal audit function of an institution increases decision support, gains the confidence of the Governing Council, and confirms the integrity of the functions of the enterprise, thereby reducing the risk, difficulty, and ineffectiveness of decision-making ;
- This function also contributes to assisting the management of the enterprise in decision-making, through its stages of identifying problems and situations, identifying alternatives, and contributing to their evaluation, as well as emphasizing the rationalization of trade-offs, selecting the optimal alternative, and implementing the follow-up and evaluation process, based on periodic reports expressing views on the

effectiveness of the organization's internal financial control systems and administrative procedures;

- Reports of the financial audit function, with an important dimension that includes broad reliance on them in the areas of investment expansion and strategic project diversification, while diversifying the development plans and programs of the various sectors within which they operate.

The Financial Auditor shall periodically analyze the effectiveness and integrity of its internal control and control systems, through several approved phases, which are consistent with internationally recognized standards, and provide senior management with the following report and format illustrating those steps.

Figure 05: Stages of evaluation of the internal control systems.



Sources: Prepared by the student, (2001), depending on Obert Robert, Comptabilite Approfondie et revision, 2nd edition, Dunod Edition, France.

The figure explains the stages of evaluation of internal control systems, according to the survey of several SONATRACH, and based on the model obtained by the researcher. The Office of Internal Oversight Services has structured around three structured and consistent procedures, which begin with a system description, its structure, and administrative and control functions, and then apply adequate understanding tests to verify the validity of the established procedures and the compatibility of the practices by the established regulations and regulations, summarized by a final report describing the effectiveness and efficiency internal control systems.

In addition, the objective of the financial audit report is to assist the management of SONATRACH in the proper application of its procedures, in

assessing and correcting weaknesses, and detecting and developing strengths, using a monitoring role, both technical and technical, to improve procedures and policies, to achieve the goals effectively and efficiently.

4. Reference may be made here to the Independent Commission

The Audit Committee² that chairs the Audit Section of SONATRACH Institution and its functions, which is one of the most important committees of the Governing Council with independent members, which has an important role to play in decision-making, contributing to the supervision and adoption of the financial assessment, and generally determining the financial position of the institution in the form of real-time or remote control and control as well as one of the financial governance instruments used. This is in response to the principles of reducing administrative and financial corruption, through the establishment of mechanisms to ensure supervision and higher performance while setting targets and overseeing the control and evaluation of company regulations and the extent to which they comply with the principle of transparency, under the framework of effective supervision by the approved audit committee.

The relationship of the Audit Committee with management that seeks to adopt the principle of the responsibilities of the Governing Council and effective decision-making, underperformance systems, is considered to be a functional complementary relationship, each concerned with servicing the objectives of the Department and protecting the objectives of the enterprise as a whole, by following up and strengthening the work, and by ensuring its sincerity, through the adoption of reports issued by the independent and objective financial examiner, such as job security and effective supervision.

It also monitors the financial position of the enterprise, verifying the integrity, credibility, and fairness of the financial statements, thereby increasing the quality of the financial management output, and seeks to do so through several functional procedures, to highlight the principle of enhanced confidence and transparency established by the mechanisms of the internal regulations of the enterprise.

² The independent qualified body and the experience with the audits, whether internal or external, is the objective official who evaluates the performance and output of the financial and accounting system of the enterprise and ensures communication and coordination between the owners and the administrators of the objectives.

The Audit Committee reports shall ensure that senior management is assisted in performing functions and drawing up technical financial and oversight plans and programs, through the communication channel of the descriptive reports of the internal financial and regulatory system of SONATRACH, and the determination of the financial position, status of investments and rights, resulting in the provision or increased likelihood of implementation by the management of the institution of the appropriate proposals made by the auditors, thereby improving the quality of professional performance and serving the relevant interests of the parties; We also note the contribution of the report of the Audit Commission to the achievement of the goals:

- The content of the report at the corporate level contributes to the provision of advisory services as a functional internal entity, as well as to improving the quality of reports and balance sheets, ensuring effective oversight and transparent reporting, strengthening confidence, and emphasizing the credibility of financial performance ;
- The report of the Financial Audit Committee contributes to the achievement of the principle of accountability and reliability in the prepared and published financial lists and to the communication to the Governing Council of reservations concerning the status, finance, conformity with disclosure, and appropriateness to serve governance objectives through the principle of transparency in the provision of financial information, with emphasis and approval of advisory services, in coordination with the Finance and Accounting Control Section.

The reports of the Financial Audit Committee assist the Governing Council in managing enterprise risk, carrying out the task in coordination with the internal audit, may use an external representative of global audit firms or offices of local account governors, and preparing a report to the Governing Council clarifying their responsibilities for identifying, evaluating and managing risk.

5. Integration of financial audit objectives and outputs with decision-making procedures

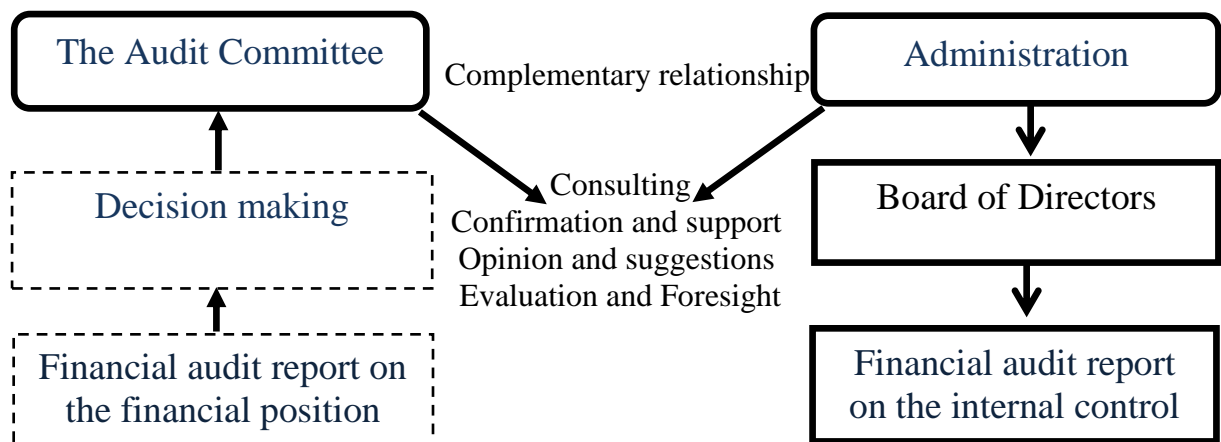
As indicated by the French Audit Institute, the Audit Committee provides a periodic financial audit report when it requires strategic decisions to be rational and effective, ensuring that the report is an effective tool to ensure the validity of decision-making procedures, consistent with the financial status of the institution (The Institute of Internal Auditors, 2018):

- Strategic conventions, strategic alliances, vertical integration, diversification, or refocusing;

- Decisions to expand into new markets or countries, as well as decisions on mergers or acquisitions ;
- Structural reorganization (in SONATRACH, product configuration, activity, markets).

The following figure highlights the relationship between the financial auditor and senior management in supporting and servicing decisions, based on the above analysis of the relationship, through the functions of the corporate audit committee to serve management objectives.

Figure 06: Relationship between audit and management in decision-making.



Source: Preparation of researchers, based on an examination of the financial and administrative system of several SONATRACH institutions.

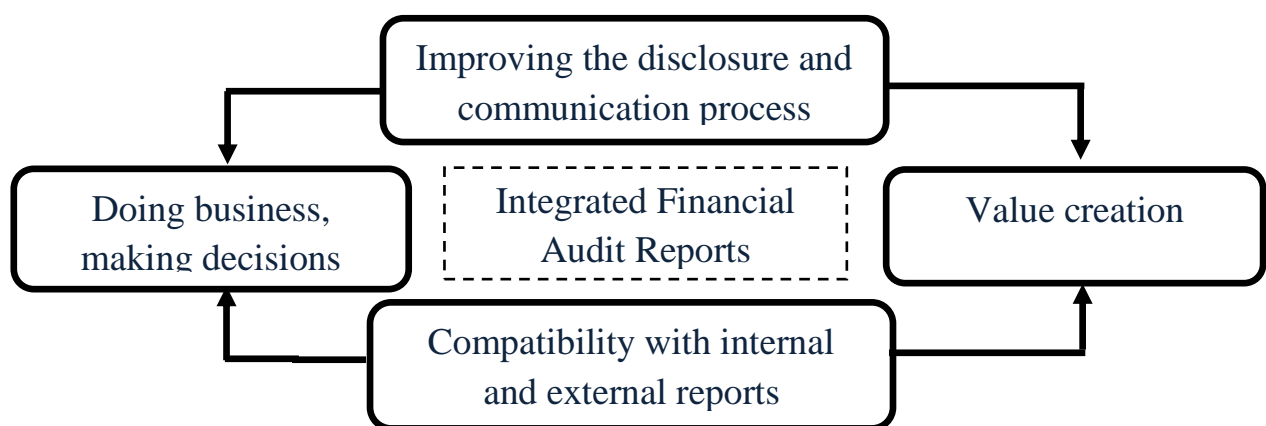
The format refers to the relationship between the area of the audit function and the servicing of senior management decision-making functions, through the Audit Committee, which oversees the quality of special reports describing the fairness of the balance sheets, and its translation of the status of the institution, as well as the audit report on the adequacy and effectiveness of the internal control systems. These are essential tools of the advisory, confirmation, and support nature, through the expression of opinion in the reports, which senior management is directed to make available in the form of information.

Rational decisions in a SONATRACH often depend on the availability of available alternatives such as quality information, derived from several sources, including a financial audit report, which has several connotations and indicators available for use according to the nature of that report, since the nature of reliance on it varies according to its type and content, which is explained by the fact that it is a supporting tool for the functions and activities of the institution and contributes to the objectives.

To achieve its objectives and keep pace with its activities, SONATRACH is based on a function that has a mandatory and important central dimension, which is the function of financial scrutiny and its reports, which ensure influence, coordination, and integration with the governing body to serve its decisions by the integration of administrative and financial functions, as a complementary tool to the functions of the institution and as a communication and oversight tool at all levels and activities.

While emphasizing the complementary relationship that exists, which is one of the factors controlling the decision-making stages, the more significant and expressive the data in the report, the more support and confidence the decision-maker has in the financial and administrative status of the institution based on which, corrective action, command-building or administrative and financial policies will be sought to ensure that the objectives are achieved and sustained.

Figure 07: Objectives of integrated audit reports to service Institution decisions.



Source: Drian Peters, (2015), *The Role of Internal Audit in non-financial and in Tegrated Reporting*, Chartered Institute of Internal Auditors, London, And Issue: July, p: 06.

Notes, through the format, the integration of the objectives of the financial audit output for the service of SONATRACH and the support for its decisions, explains the compatibility of its model with the nature of the enterprise's practices. Short-term and medium-term value creation, whether qualitative or quantitative, as well as the fact that reports continuously improve disclosure, communication, and stakeholder service by overseeing sound financial reporting and transparent disclosure practices. Reports are thus a tool that contributes to improving the financial and administrative performance of the institution, requiring the harmonization of internal and external reports to streamline decision-making procedures.

The report is considered an integral part of the reports of the legal institution and is part of the annual report in the context of the integration of financial disclosure, which bears the connotations of effective communication in the enterprise, where it is part of the requirements of the guidance in the Strategic Guidance, for its fairness in judging the status of the enterprise. It ensures performance development and business model (Drian, 2015) and integration is central to what it takes to support and correct an enterprise's investment decisions and expectations. Integrated audit report objectives to service the founder's decisions.

The Institution management also feedbacks and corrects deviations of incorrect decisions, to ensure the integrity and effectiveness of those decisions, using the information provided by SONATRACH Financial Investigator, so the relationship can be described as interactive and complementary.

IV. Conclusion

Based on the above, it is concluded that a financial audit report is a tool that supports the confidence, assurance, and contribution to the management of SONATRACH, activate and guide its decision-making to ensure the achievement of the Objectives, thereby serving as an important information and communication tool for the many stakeholders concerned.

Provides qualitative and financial information in the form of outputs for this essential function, which is addressed to stakeholders in the form of a statement of qualified information to assist in decision-making, in particular investment financial decisions, based on the situation of the actual institution summarised in the financial data forms, and to promote and enhance trust in, availability and use of these services.

Research Results: The results may also be mentioned in the following:

- The content of the report contributes to supporting and correcting the decisions of the Foundation through the information provided by the financial investigator in an opinion statement, given that this link demonstrates the relevance of the audit report to the decisions of the economic management of SONATRACH, as an integrated and interactive relationship between SONATRACH management and the Finance Supervisor and Confirmation ;
- The financial audit report supports the institution in identifying the most important qualifications and obtaining feedback, addressing variances concerning financial performance, and increasing the confidence and

contribution of the financial statements' credible information that can be used as one of the decision-making alternatives.

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