

Compliance with Reporting on Assurance Services

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Abstract

This study examines the compliance of the audit firms with reporting on assurance services other than audit of financial statements for the companies listed in the Egyptian stock exchange market. The study analyzes the professional issues, laws, and codes that related to the assurance services and its requirements, in order to evaluate the role of audit firms in view of the Egyptian and international professional standards of assurance services, especially Sarbanes-Oxley act (SOX). This study investigates the audit firm's reports and adopts personal interviews for independent random sample of auditors within the selected sample of the audit firms. The study sample is all audit firms (67) that audit all companies listed for all sectors in the Egyptian stock exchange for 10 years from 2008 to 2017. Analysis of the professional issues shows converge between the Egyptian and international standard of assurance engagement. The results indicate that small number of audit firms comply with reporting on certain types of assurance services such as assessments of internal control structure's effectiveness, assessment of compliance with corporate governance's principles, assessment of compliance with environmental, occupational safety, and Health Care requirements. The Egyptian business environment doesn't ensure the reporting on assurance services, since it is not obligatory requirement but a voluntary basis.

Keywords: assurance engagement; reporting on assurance services; Sarbanes-Oxley act (SOX); internal control structure's effectiveness; compliance with corporate governance's principles; compliance with environmental, occupational safety, and Health Care requirements.

Compliance with Reporting on Assurance Services

1. Introduction

The changing nature of business world has produced an ongoing need for information by financial reporting's users. Constantly, financial reporting's users are in need for relevant and reliable information. This continuous demand came as an outcome of the financial crisis of 2001 collapse of major companies such as Enron, WorldCom and Tyco International. The failing involvement of Arthur Andersen as one of the biggest audit firms at that time; which led investors to lose confidence in the accounting and auditing professions.

Consequently, investors distrusted the credibility of financial statements and the effectiveness of the audit. In 2002, the U.S. congress has legitimized the Sarbanes-Oxley act (SOX) to be followed by businesses. SOX was mainly enacted to protect investors by improving the financial reporting disclosure's level and determining new requirements related to the auditing process. SOX established Public Company Accounting Oversight Board (PCAOB). The PCAOB reports to the Securities and Exchange Commission (SEC) and it has a supervisory role. The PCAOB oversees public companies' compliance with SOX requirements to improve the accounting and auditing performance. SOX defines assurance services as "professional services that improve the quality of information for decision makers. Assurance services can be performed by auditors" (SEC, 2002). The international Federation of Accountants (IFAC) defines assurance services as "services through which the independent auditor's report on different information that is considered the responsibility of another party and through the evaluation of these items

under appropriate standards on the results of this assessment” (IFAC, 2001). Additionally, the international auditing practices committee (IAPC) emphasizes assurance services as "professional services designed to serve the decision-makers. This IAPC statement has been designed to support and increase the credibility of the information, which is the responsibility of assurance services’ provider". The assurance services have been further emphasized by the Institute of Internal Auditors (IIA) as “an objective assessment of the evidence in order to provide independent assurance about the effectiveness of internal controls, risk management and compliance with the principles of corporate governance in the company” (IIA, 2003).

2. Types of assurance services

A major type of assurance services is attestation services, in which an audit firm issues a report about the reliability of an assertion that is the responsibility of another party. Assessment of internal control structure effectiveness is performed in light of its main objectives and components. Internal control structure’s objectives are: reliability of financial reporting, efficiency and effectiveness of operations, and compliance with laws and regulations (e.g. Arens et al., 2017; Janvrin and Kurtenbach, 2006). The components of internal control structure are: control environment, risk assessment, control activities, information and communication, and monitoring (e.g. Arens et al., 2017; Chen et al., 2013; Krishnan and Yu, 2012; Ivancevich and Josep, 2001). The assessment of internal control and issuing a report on it is management responsibility in public companies. On the other hand, evaluating the management’s assertions’ concerning internal control and the effectiveness of internal control systems is the auditor’s

responsibility (Arens et al., 2017; Srivastava et al., 2013). It is important to assess the effectiveness of internal control structure, since material shortcomings in internal controls demonstrate danger of the public companies' future, so Section 404 reports on internal control adequacy plays a vital role for enhancing the auditing profession. The audit firm may provide a separate report for the assessment of internal control structure effectiveness or in a combined report with audit of financial statements.

The American Institute of Certified Public Accountants (AICPA) in conjunction with the Canadian Institute of Chartered Accountants (CICA) has gone so far as to develop practice guidance for specific assurance services including WebTrust, SysTrust, and PrimePlus Services (previously known as ElderCare). The purpose of this guide is to provide trust in information systems, companies' websites and their online transactions responding to consumer concerns about the risks of making purchases over the Internet. WebTrust provides assurances related to business practices, transaction integrity, and information protection; it does not provide assurances with respect to product or service quality.

Internal audit plays an important role by providing assurance to management and stakeholders regarding the effectiveness of the internal control structure, risk management, efficiency and effectiveness of operations. Audit firms provide assurance about the effectiveness of the internal audit through evaluation of its contribution toward enhancing the organizational performance and thereby increasing reliability of the financial reporting (Arens et al., 2017; Alademy, 2007; IIA, 2003; SEC, 2002; Lehmann et al., 2002).

O'Dwyer (2011) points the impact of auditor reporting for the social responsibility on investors' expectations about the company performance and stock prices in the market. And it could allow greater effectiveness and reliability of assurance services. All these should improve corporate internal and external accountability, contributing to the enhancement of corporate social responsibility (CSR) reporting practices.

3. Assurance engagement standards

Since the study by the Elliott Committee (AICPA, 1996), the growth of assurance services is clear evidence that market opportunities exist for accountants to expand the range of services they offer. AICPA and IFAC have addressed opportunities and problems in the area of assurance services. In 2000, the first international standard on assurance engagements (ISAE) 100, was issued (IFAC/IAPC, 2000). Assurance services, as defined in ISAE100, refer to "engagements that involve the evaluation or measurement of a subject matter that is the responsibility of another party against identified suitable criteria, in order to express a conclusion that provides the intended user with a level of assurance about the subject matter" (ISAE100).

During 2001, the IFAC commissioned research in an international consortium of academics on the determination and communication of levels of assurance (IFAC/IAASB, 2002; Hasan et al., 2005). In 2003, IFAC's auditing and assurance standards setting body, the International Auditing and Assurance Standards Board (IAASB), issued a framework for assurance engagements and a standard on assurance engagements other than audits or reviews of historical financial information. In the United States, the Auditing Standards Board (ASB) issued performance Attestation Engagement Services

standards. These standards are considered an extension to the ten generally accepted auditing standards. On the other hand, PCAOB prompted by the SOX issued “Attestation services’ standards for public companies” (PCAOB, 2013).

Auditing and Assurance Standards Board (AUASB) issued AUS standard No. 810 entitled “Special Purpose Reports on the Effectiveness of Control Procedures” in 2002 for the companies listed in the Australian securities and investments commission (ASIC). This standard is issued for the purpose of mandating audit firms by assessment and reporting of internal control; and in congruence with SOX in the United States (AUASB AUS No.810, 2002).

According to Section 404 of SOX, auditors of public companies should express an opinion on the adequacy of internal control over financial reporting (ICOFR). Auditors should provide report of internal control effectiveness other than the report of financial statement audit, the matter which improves the quality of financial statement audit with the possibility of issuing one of two styles for reporting (Arens et al., 2017; SEC, 2002):

- *Combined report:* Combined Report on Financial Statement audit and ICOFR effectiveness.
- *Separate Report:* one report for financial statements audit and other report for ICOFR effectiveness.

Saudi organization for Certified Public Accountants (SOCPA) has issued the Saudi auditing standards which include standard assurance services entitled "assurance review" that defines the review of assurance as “the written report about the level of assurance for services whereas

providing high level of assurance is a result of review while providing moderate level of assurance is for the limited review” (SOCPA, 2000).

Furthermore, the Ministry of Investment of Egypt along with accountability state authority, the Egyptian accountants and auditors association, and the Egyptian Financial Supervisory Authority have issued the Egyptian standards for auditing, limited review, other assurance services which includes “the Egyptian framework for assurance services”, and standard No. (3000) entitled "Assurance services other than review or audit of historical financial information" to be matched with the international standards of IFAC (Ministry of Investment, 2008). The Egyptian framework defines the assurance services as “process by which the auditor increases the credibility of users – other than the client – the subject matter according to certain criteria. According to the Egyptian framework, there are two types of assurance which are reasonable assurance (positive report) and limited assurance (negative report). The acceptance of assurance service depends on the ethical and behavioral requirements such as independent and professional qualifications. Section No.33 of the Egyptian framework identifies requirements for providing assurance services which are relevance of subject matter, sufficient evidence, and written report. The stages of providing the assurance service according to the Egyptian standard (3000) are: a) acceptance and continuance of assurance engagement; b) planning of assurance services work; c) procedures of assurance services; and d) reporting on assurance results.

In addition, section No.56 states the elements of written report for assurance services which are: 1) report title that ensure the independence assurance; 2) report address; 3) subject matter information; 4) relevant

measurement; 5) the responsible party; 6) the related assurance service standard; 7) summary; 8) assurance type; 9) report date, audit firm name and address. According to section No.51, adverse report is issued as result of material misstatement for the subject matter; and disclaimer report is issued in case of scope restriction of the auditor work. The research question of this study problem can be summarized as follows:

“Do audit firms comply with reporting on assurance services other than financial statement audit in the Egyptian business environment?”

4. Literature Review

Some studies have started to examine the effect of internal control on the investment decisions after 2003 (for Section 302 of SOX) and 2004 (for Section 404 of SOX). For example, Krishnan et al. (2008) discuss that the first-time incorporation for Section 404 of internal controls was related to higher income reaction than before Enron collapse and the financial crisis, while there was no distinction of income reaction for organizations announcing material shortcomings of internal control structure in the primary year. Earlier research contends that ICOFR audit will upgrade the credibility of firms' financial reporting. Chen et al. (2013) noted that the profit usefulness for organizations with clean internal control reports was more noteworthy in Section 404 reception year than in the earlier year. The external audit of ICOFR is an exceptionally costly and argumentative part of SOX. The requirements are different for large companies than small companies. Though, most related earlier research explores the impact of auditor opinion of the internal control over financial reporting for the

financial statements fairness on investors' decisions (El-Masry and Reck, 2008).

Some studies examine the effectiveness of communication associated with reports issued in moderate (limited) assurance engagements. These studies find their origin in the early 1980s when the United States introduced the concept of the 'review' of financial information. The focus of these studies is on whether alternative reporting formats are understandable to, and correctly interpreted by, users (e.g. Gay et al., 1998). Numerous studies have investigated the communication of assurance levels through examining understanding of the messages conveyed in the assurance report (e.g. Holt and Moizer, 1990).

Al-Masry (2012) examines the financial reporting of companies listed in the Egyptian stock exchange of time series for five years from 2006 to 2010 for determining the compliance of the reporting on ICOFR by external auditors. The auditors point out the responsibility of understanding and examining the internal control system within the scope paragraph of the financial statement audit as follows "audit work includes procedures for collecting audit evidence which concerns information and disclosure in the financial statements. Those procedures depend on the auditor's professional judgment including risk assessment for material misstatement from error or fraud. The auditor takes into consideration the internal control system which helps the management to prepare financial statements that fairly presented for designing audit procedures fit the circumstances, but not for the purpose of expressing an opinion of the company's internal control effectiveness". Al-Masry (2012) examined the importance of identifying internal control deficiencies (ICDs) of the audit firm's sample which consists

of the big four and non-big four audit firms. The findings show up the difference between the big four and non-big four audit firms for reporting of the internal control effectiveness. The big four audit firms ensure that understanding internal control systems is not goal but it is important for determining the nature, scope, and timing of audit procedures. They increase the degree of conservatism toward reporting on ICDs in written report for taking corrective actions in the right time which enables them to avoid the accountability. While non-big four audit firms ensure that the report of the External Auditor shall remain limited to the results of the financial statement audit for the purpose of not distorting financial reporting users by more information. Those results are matched with the international professional standards. However, there is no obligation for reporting on ICDs of the Egyptian auditing standards in the Egyptian business environment.

External auditors don't provide the required support for the reporting about ICDs in the annual financial reporting, which does not meet their role for enhancing the credibility of financial reporting. External auditors should prepare written report to detect or prevent internal control deficiencies for internal control system (ICS) according to the professional international standards. Reporting on internal control effectiveness is voluntary not obligation for the audit firms as a degree of conservatism and to avoid the accountability as long as there is no obligation by the Egyptian auditing standards of reporting on ICOFR.

Altahan (2010) developed a framework for improving the auditor report in the electronic business environment that can be provided as an assurance service by the audit firm which is webTrust service. Also, Abdallateef (2008) developed a framework for Sys Trust service in the Egyptian

business environment that can be used for the companies listed on the Egyptian stock exchange.

O'Dwyer (2011) conclude the increase of demand on assurance for Sustainability and International Organization for Standardization(ISO) 9000 reporting through developing integrated framework for providing and reporting on the two services. Heras et al. (2002) and Sharma (2005) indicate positive relationship between providing assurance for ISO requirements and the financial performance of companies. Hasan et al. (2005) design descriptive study for determining the types of assurance service provided by the audit firms. They conclude that there is no difference between the big four audit firms and non-big four audit firms about providing the assurance services in the selected European and Asian markets; the main assurance services were related to the internal control structure and the environmental performance. Also, they conclude that the large percentage of audit firms' revenue is from the assurance service other than audit of the financial statements.

O'Dwyer et al. (2005) conduct survey for measuring perceptions regarding sustainability reporting of a sample of Irish social and environmental non-governmental organizations (NGO). They present evidence of a widespread demand for mandated, externally verified sustainability reporting. Their results also suggest an apparent animosity to financial auditors 'role in verification, particularly among environmental NGOs. (Cuadrado-Ballesteros et al., 2017) examined international sample of companies listed which indicate that the disclosure of sustainability information alone is not sufficient in this regard as findings indicate that information asymmetry is reduced to a greater when such information is assured, supporting the value relevance role of

sustainability reporting and assurance. In addition, assurance is highly appreciated by investors in more stakeholder-oriented countries; however, in more shareholder oriented environments, assurance affects information asymmetries only when it is provided by professional auditors who also report a “reasonable” opinion (Cuadrado-Ballesteros et al., 2017).

Birkey et al. (2016) focus on environmental reputation and using a broad sample of report-issuing firms from the United States to identify whether auditor assurance on CSR reports is related to higher assessments of companies environmental standing. They find that the positive relation between assurance and environmental reputation hold, regardless of assurer type. Overall, the results suggest that there may indeed be positive outcomes associated with the choice to seek assurance on CSR reports, and this may help explain why some companies, at least in the United States setting, are willing to incur the expense related to the practice (Birkey et al., 2016).

5. Methodology

The current study adopts the qualitative research approach. I first analyzed the Egyptian and international professional standards through the professional issues, laws, and codes that related to the assurance services and its requirements, in order to evaluate the role of audit firms in view of the Egyptian and international professional standards of assurance services, especially SOX. Second, I examined the compliance of the audit firms with reporting on assurance services other than audit of financial statements by investigating the audit reports within the financial reporting for all the companies listed in the Egyptian stock exchange market and supporting this investigation by personal interviews for auditors of audit firms.

Personal interviews are conducted with audit firms' staff that consists of partners, managers, seniors, and staff assistants through face-to-face interview through asking about the clients' industry, types of assurance services other than financial statement audit that are provided within the last ten years, and the report style for those assurance services. I use the questionnaire for audit firms which do not response for personal interview, through questions about the provision of certain assurance services other than financial statement audit, years of provision, and the report style, besides investigating audit firms reports each year for the last ten years.

Population and Sample

This study investigates the audit firm's reports and adopts personal interviews for random sample of auditors within the selected sample of the audit firms. The population is all audit firms in the Egyptian business environment. The study sample is all audit firms that audit all companies listed for all sectors in the Egyptian stock exchange for 10 years from 2008 to 2017. The selected sample is 67 audit firms over the period of 10 years. Study data are collected from audit firms in Egypt, Egyptian stock market, and Egyptian financial supervisory authority. Table (1) shows a summary of the sample composition of the audit firms and number of sectors they belong to.

**Table (1):
Sample composition**

No.	Audit Firm	No. of Sectors
1	NassrAboelabass and associates (Mirison)	4
2	Dr. Hesham Ahmed Hasabo	1
3	Hazem Hassan (KPMG)	8
4	Collaborators for Accounting (EY)	11
5	Zerok and associates	2
6	Zerok&Selawy and associates	1
7	Youssef & Mahmoud salaheldein office (JPA)	2
8	Abdallah Ahmed Anany and associates	1
9	Anany and associates	5
10	Yehiaabdelmoniem Hassan	2
11	FathySaad Chartered Accountants	2
12	HeshamSamySaad	1
13	Mansour Kamal Elshabrawy	1
14	Tarek AlKadem	2
15	Mostafa Hazen Office	1
16	Accountants Consulting	1
17	Accountability State Authority (ASA)	15
18	WahedAbdelghafar and associates (Baker Tilly)	5
19	SamyYassienMorcos (Kerston)	3
20	Ahmed Souldan and associates	1
21	Rashed&Badr and associates	1
22	Mostafa Shawki& Co. (Mazars)	8
23	dr.Ahmed Mohammed Nour	2
24	Saleh Abdelaziz and Barsom (Deloitte)	4
25	Ahmed Mohammed Hassan	1
26	Ismail Hafez AlMalahy	1

27	Mohammed Mohammed Ismaiel	1
28	Safwat Noureldien	1
29	Moore Stephens Egypt	2
30	Yossef Nabieh Office	1
31	Rafeaa Al Patran Office	1
32	Fekry Abdelhameid Ashmawy	1
33	Ashraf Lotfy Hegazy	2
34	Dr. Abdelrasoul Abdelhady	1
35	Mohammed Helal Grant	1
36	Kamel Magdy Saleh	1
37	Magdy Hashish and associates	3
38	Mohammed Mahmoud Alsayed	1
39	Mohammed Metwally Radwan	1
40	Mahmoud Saied Abdelsalam	1
41	Dr. Abdelaziz Hegazy and associates	2
42	Ahmed Hatata	1
43	Mansour and associates (PwC)	4
44	Alsakary	2
45	Abdelwahab Kamal and associates	2
46	Wassffi Fahmy Morcos and associates	1
47	Khaled and associates	1
48	Khaled Abdelaziz Hegazy	1
49	Audi. Konsilt Accounting	1
50	Mohammed Adel Nassif and associates	3
51	Alhussiny	1
52	Arafat Almaazawy	1
53	Almaazawy and associates	1
54	Almazawy Office	1
55	Aldelgawy and associates	1
56	Sherif Dabous- Rassal Pedfourd	1
57	Advisory Group	1

58	Albana Consulting	2
59	Salem and associates	1
60	Fayez Fouad	1
61	Yousef Kamel and associates	1
62	Abbas Algheriany	1
63	Ahmed Mohammed Soliman	1
64	Rezk Waded RezkAlla	1
65	MagedSherif and associates	1
66	Hassan Hamza AlNasharty and associates	1
67	Khaled Bedier Kamal	1

6. Findings

Analysis of the professional issues mostly shows converge between the Egyptian and international standard of assurance engagement and some criticisms. Analysis of the professional engagement standards internationally and in the Egyptian business environment, shows some differences and criticism. There is overlap and insufficiency regarding the traditional audit of financial statements and assurance services due to the weaknesses of the Egyptian auditing standards for assurance services other than audit of historical financial statements. So, it is critical to reissue those standards for the purpose of increase assurance service effectiveness and facilitating decision making process for financial reporting users through identifying procedure, evidence, measures, and personal qualifications of providers.

After the investigation of all audit reports of audit firms that audit all companies listed in the Egyptian stock exchange for the period from 2008 to 2017, The results indicate small number of audit firms comply with reporting on certain types of assurance services, such as assessments of internal

control structure's effectiveness, assessment of compliance with corporate governance's principles, assessment of compliance with environmental, occupational safety, and Health Care requirements. The Egyptian business environment doesn't ensure the reporting on assurance services, since it is not obligatory requirement but a voluntary basis. The personal interviews support that as a result of the absence of obligating audit firms for reporting on assurance services other than audit of financial statements, unless the clients need that due to the users' demand.

Table (2) summarizes number of audit firms which provide reports on assurance services for some clients in certain sectors on specific years with combines report style. The results shows that most of the audit firms which provide reports on assurance services other than financial statement audit are local without foreign partner. Accountability State Authority (ASA) is the most audit regulatory body which provides reports on assurance services other than audit of financial statements, then the audit firms of Ismaiel Hafez AlMalahy, Mohammed Mohammed Ismaiel, and Prof. Abdelrasoul Abdelhady. While, Mostafa Shawki & Co. (Mazars) is the only audit firm with foreign partner that report on assurance services other than financial statement audit; the matter which point that the audit firm reputation or size is not the only factor that affect reporting on assurance services. Moreover, most of the clients that demand reporting on assurance services are listed in food beverages sector for some clients such as Alex Flour Mills Company (AFMC), Middle Egypt Flour Mill Company (CEFM), Delta Mills (WCDF), North, Cairo Flour Mills (MILS), and Upper Egypt Flour Mills (UEFM), then basic resources sector such as Iron & Steel Company Egyptian (IRON), see table (2).

The only report style for reporting on assurance service in the Egyptian business environment is the combined report with Financial Statement audit report rather than providing separate report on assurance service other than audit of financial statements. Also, results point lack of reporting on assurance services other than financial statement audit before year 2010. The audit firms mentioned above provide reporting on assurance services from 2010 till 2017 for different clients in certain sector in the Egyptian stock exchange market especially for recent years (e.g. year 2017) as shown in table (2). It is worth noting, the types of assurance services which provided by the audit firms. assessments of internal control structure's effectiveness is the most provided from year 2010 till 2017, and that match with importance of reporting on the effectiveness of internal control structure according to section 404 of SOX act and other assurance engagement standards, While assessment of compliance with corporate governance's principles and assessment of compliance with environmental, occupational safety, and Health Care requirements are considered the rest of provided services due to the current challenges of corporate governance and quality control. Finally, The Egyptian business environment doesn't ensure the reporting on assurance services, since it is not obligatory requirement but a voluntary basis.

Table (2): Reporting on assurance services from 2008 to 2017

Audit firm	Sector	Client	Year	Assurance services' type	Report Style		
Accountability State Authority (ASA)	Food and Beverages	Alex Flour Mills Company (AFMC)	2010	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements 	Combined		
				<ul style="list-style-type: none"> ▪ Assessments of internal control structure's effectiveness 			
		Middle Egypt Flour Mill Company (CEFM)	2010	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements 		Combined	
				<ul style="list-style-type: none"> ▪ Assessments of internal control structure's effectiveness 			
		North Cairo Flour Mills (MILS)	2017	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements 			Combined
			2010	<ul style="list-style-type: none"> ▪ Assessment of compliance with corporate governance's principles ▪ Assessments of internal control structure's effectiveness 			
South Cairo Giza Mill (SCFM)	From 2014 to 2017	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental, occupational safety, & Health Care requirements 	Combined				
		<ul style="list-style-type: none"> ▪ Assessments of internal control structure's effectiveness 					

Audit firm	Sector	Client	Year	Assurance services' type	Report Style
		Delta Mills (WCDF)	2011*	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements 	Combined
			2017**	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental & occupational safety requirements ▪ Assessments of internal control structure's effectiveness 	
	Basic Resources	Iron and Steel Company Egyptian (IRON)	2010	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements 	
			2017		
	Retail	General Company of Silos & Storage (GCSS)	From 2013 to 2017	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental, occupational safety, & Health Care requirements 	
Mohammed Mohammed Ismaiel	Food & Beverages	Upper Egypt Flour Mills (UEFM)	From 2014 to 2017	<ul style="list-style-type: none"> ▪ Assessment of compliance with environmental requirements ▪ Assessment of compliance with corporate governance's principles 	
Mostafa Shawki & Co. (Mazars)	Industrial G. & S. and Automobiles	Egyptian Transport & C. S. Co. (ETRS)	2017	<ul style="list-style-type: none"> ▪ Assessment of compliance with corporate governance's principles 	

*"Ismail Hafez AlMalahy" audit firm is second auditor with Accountability State Authority (ASA) on 2011.

**"Prof. Abdelrasoul Abdelhady" audit firm is second auditor with Accountability State Authority (ASA) on 2017.

Conclusion

Analysis of the professional issues mostly shows converge between the Egyptian and international standard of assurance engagement and some criticisms. Analysis of the professional engagement standards internationally and in the Egyptian business environment, shows some differences and criticism. The Egyptian auditing standards of assurance service (3000) ensure the objective of developing main principles and necessary procedures for auditors to provide the assurance services due to the nature of those services with voluntary basis rather than mandating companies listed in the Egyptian stock exchange where there is no law or regulation. The international auditing boards issue assurance services standards and the ministry of investment in Egypt uses those international assurance engagement standards as benchmark for issuing the Egyptian standard for assurance services.

The results of investigating audit reports for all companies listed in the Egyptian stock exchange market indicate small number of audit firms comply with reporting on certain types of assurance services such as assessments of internal control structure's effectiveness, assessment of compliance with corporate governance's principles, assessment of compliance with environmental, occupational safety, and Health Care requirements. The personal interviews support that as a result of the absence of obligating audit firms for reporting on assurance services other than audit of financial statements, unless the client need that due to the users' demand. Thus, reporting on assurance services is restricted by those three types of assurances services which are, which indicates nature of the Egyptian

business environment and the relationship between the investors and audit firms' clients. There is need for obligating audit firms that audit companies listed in the Egyptian stock exchange market for reporting on assurance services other than the financial statement audits instead of the voluntary basis, for the purpose of increasing investors 'confidence on the financial reporting.

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