

**THE EXTENT OF THE AUDITORS' COMPLIANCE  
WITH INTERNATIONAL FINANCIAL REPORTING  
STANDARDS (IFRS) AND THEIR IMPACT ON  
INVESTOR DECISIONS – AN APPLIED STUDY ON A  
SAMPLE OF EGYPTIAN BANKS –**

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**Abstract:**

The research seeks to achieve the following objectives : The concept of the auditor's performance and his responsibilities and duties in the contemporary business environment 'Diagnosing the impact of each violation carried out by the auditor's in each list of financial statements and consequently in the financial reporting in the research sample 'Determine the extent of auditor's compliance with international and local standards 'Determine the factors affecting on the financial reporting.& The study has reached a number of conclusions :-

The external audit is a function performed by an independent auditor from the Company. Its main objective is to provide assurance to the users of the financial statements of the Corporation through the impartial opinion issued regarding the extension of the accuracy, accuracy and integrity of these financial statements ' One of the reasons for the commitment to implement the External Auditor's guidance is the poor management's interest in the reports of the latter and the opinions contained therein that serve the institution positively.

**Keywords:** IFRS ' investor decisions 'Egyptian banks

**1- Introduction :**

The auditing profession is one of the most important professions in the field of accounting thought, which has got the attention of many

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researchers and scholars through the studies in various countries of the world, especially in the Arab world, and because these services that provided by the auditing profession are closely related to the beneficiary parties, especially users of accounting information, and where this profession Acquired the attention of professional enterprises and organizations by issuing the standards and rules of conduct and ethics required by them, And are required to be implemented by the auditor's. Because the compliance with ethical standards will Lends credibility, reliability on financial statements, and through its sincere and fair shows. Therefore, the subject of financial reporting had got a particularly important by professional organizations, associations and federations through the issuance of standards governing financial reporting, and the responsibility of the financial reporting is the responsibility of the management because it is the party that prepares the financial statements. To achieve the objective of the research, so the first section includes the methodology of the research, while the second section includes the theoretical aspect of the research that been divided into the concept of the auditor's and the Standards of financial reporting and the decisions of investors, and the third section represents the practical aspect and the fourth section contains the conclusions and recommendations.

## **2- Research Methodology :**

### **2-1. Research problem:**

The auditors' reports depend on the extent of accurate representation of the accounting information contained in the financial statements of the companies. The accounting information is affected by the accounting errors and irregularities. The auditor's report includes these irregularities. In addition, the management, shareholders and investors are affected by the extent of the auditor's breach of international and local standards. Adversely affect the quality of the accounting information contained in the financial statements and therefore the decisions of investors and thus can identify the problem of research in the question:-

"Does the non-compliance of the auditor of the companies on the research sample on the standards of International financial reports and local rules contained in the financial statements and their impact on investor decisions?"

### **2-2. The importance of research:**

The current business environment is facing wide and rapid changes in the accounting and auditing profession, where the financial reporting represents the most important work carried out by the job of accounting and represents one of the most important activities through which provide accounting information for all internal and external parties that have a relationship with the company, and In contrast, the important of the services of auditor's have increased significantly, where the audit's services of the financial statements and the submission of the neutral technical report to the administration, which governs the work of the auditor, a set of international and local standards.

### **2-3. Research objectives:**

**The research seeks to achieve the following objectives:**

- The concept of the auditor's performance and his responsibilities and duties in the contemporary business environment.
- Diagnosing the impact of each violation carried out by the auditor's in each list of financial statements and consequently in the financial reporting in the companies of the research sample.
- Determine the extent of auditor's compliance with international and local standards.
- Determine the factors affecting on the financial reporting.

### **2-4. The hypotheses of research:**

In light of the research problem, the following hypothesis has been formulated:

- **The first hypothesis:** - The auditor's lack of objectivity in the financial reporting standards that affecting on the decisions of investors in the companies the research's sample.
- **The second hypothesis:** - Default and negligence by the auditor in the financial reporting standards which is affecting the decisions of investors in the companies the research's sample.

### **2-5. Methods of data and information collecting:**

The researcher depended the descriptive approach in the theoretical and applied aspects as follows:

- **Theoretical side:** - The researcher relied on what was published in books, master theses, doctoral theses, periodicals

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on Arab and foreign than the Internet, and the Accounting standards of Egyptian and international financial reporting standards (IFRS) auditors control.

- **Applied side:** - The researcher depended in the collecting of data that relate to the subject of the current research the cases of irregularities obtained from the Egyptian accounting and auditing offices.

#### **2-6. Study Approach:**

To achieve the aims of the research, the inductive approach will be based on reviewing the theoretical side of the research by extrapolating sources and literature related to the subject in order to arrive at theoretical conclusions that support the ideas of research and rely also on the analytical descriptive method for describing and processing the data which will be obtained from An applied study on a sample of Egyptian banks.

#### **2-7. Spatial and temporal limits:**

The search has been determined by boundaries - spatial and temporal - as follows:

- **Spatial boundaries:** - The study was based on a group of companies listed in the Egyptian Stock Exchange.
- **Temporal boundaries:** - The research was applied to the financial reports of companies the research's sample for the period (from 2014 to 2018).

#### **2-8. Research Plan:**

To achieve the objectives of the research and address the problem scientifically and logically and to test the validity of its basic hypotheses, the study was divided as follows:

- Chapter one: Research Methodology.
- Chapter Two: Audit and accounting standards.
- Chapter Three: Practical side.
- Conclusions and recommendations.

### **3- Audit and accounting standards :**

#### **3-1. The concept of the auditor:**

The word “audit” is a very generic word, it essentially means to examine something thoroughly. But we will be learning about auditing

as it relates to accounting and the finance world. So audit meaning is the thorough inspection of the books of accounts of the organization.

This involves the examination of vouchers and the verification of various assets of the organization. And the person who carries out such an audit is known as the auditor.

The International Federation of Accountants has given the following definition of an audit, “audit is an independent inspection of the financial information of any organization, whether profit-oriented or not profit-oriented, irrespective of its legal form, status or size when such examination is conducted with a view to express an opinion thereof” (Hriss, 13: 2017).

The one important thing to remember is that an audit is a close inspection of the books of accounts, but it does not absolutely guarantee error-free books. The auditor only expresses his opinion on the accuracy of the books, he does not give his opinion on the financial status of the company or predict its future.

If he is satisfied with the examination then he will state that the financial accounts are true and fair, which means they are absent of any material misstatement. But this is not an opinion about the financial status of the company.

And so we can conclude that The auditor is considered to be professionally, practically and scientifically qualified, And formally authorized to practice the profession, whom is appointed by the owners to review and control their accounts, where the auditor is defined as an independent professional person who verifies the preparation of the financial statements in accordance with generally accepted accounting principles, and he prepare report on the results of his examination, And his opinion on the "fairness and credibility of the financial statements and Adding the evaluation and analyzing the operations in books and records, And to make sure the procedures and aspects of accounting control of economic units, With a critical analysis of the evidence used to summarize and classify the various processes, And to report thereon in the financial statements, and the audit by the auditor ends with the final product that represented by his written report, which is placed at the disposal of the parties and beneficiaries relying on the financial statements whom gives his neutral professional opinion on it.

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### **Features of an Audit**

- Auditing is a systematic process. It is a logical and scientific procedure to examine the accounts of an organization for their accuracy. There are rules and procedures to follow.
- The audit is always done by an independent authority or a body of persons with the necessary qualifications. They have to be independent so their views and opinions can be totally unbiased.
- Once again, an audit is the examination of all the books of accounts and financial information of the company. So it is essentially a verification of the final accounts of the organization, i.e. the profit and loss statement and the balance sheet at the end of the financial year.
- Auditing is not only the review of the books of accounts but also the internal systems and internal control of the organization.
- To conduct the audit we need the help of various sources of information. This includes vouchers, documents, certificates, questionnaires, explanations etc. He may scrutinize any other documents he sees fit like Memorandum of Association, Articles of Associations, vouchers, minute books, shareholders register etc.
- The auditor must completely satisfy himself with the accuracy and authenticity of the financial statements. Only then can he give the opinion that they are true and fair statements.

### **3-2. The personal qualities of the auditor:**

Are a set of principles and moral values that govern the behavior of individuals, and the ethics of the individuals varies from person to person at any moment. Most people are able to distinguish between moral and immoral behavior. Laws determine who are the closest to the moral behavior (57 whitting and pany, 2004: p), the immoral behavior defines as "is the behavior that conflicts with an individual's beliefs and his concept of proper behavior within certain circumstances, and each individual determines for himself and for others what is immoral behavior, and it is also necessary for an individual to understand what makes people behave in a way that he considers immoral (Hilemy, 2007). The auditor must commitment to the general and fundamental qualities which were as follows - (ASheq ,2014:46)( Landsman, 2012:48-52)

3-2-1. Basic principles:

- **Responsibilities:** a member must bear the professional responsibilities when exercise moral judgment and must has a professional sense in all his activities.
- The public interest: The member must accept the commitment to work in accordance with the public interest and the honor of public trust and prove his loyalty and professional commitment.
- **Straightness:** A member must keep continue keep trusted by the opinion of the general opinion to perform all professional responsibilities with the utmost straightness.
- **Objectivity and neutrality:** The member must remain objective and impartial of conflicts and interests when he implement the professional responsibilities to refrain in the general practice in neutrality in reality and apparent when presents of audit service and other opinion services.
- **Professional Care:** A member must follow the professional standards technical and ethical and Seeks to improve the quality of service provided by him with the implementation of professional responsibilities as much as possible.
- **The field and nature of the service:** The member who works in the practice of the public shall follow the principles of the charter of professional conduct when determining the scope and nature of the services he performs.
- The role and responsibility of the auditor is determined in accordance with the contractual relationship with the client (Kieso, 2007: 33).

**3-3. The rules of ethical behavior :**

It is a set of rules that works to provide guidelines for the application of accounting objectives and fundamental principles and is divided into:

- A. Rules that applied to professional accountants.
- B. Rules apply to accountants professional who are employees ((in industry, trade or private sector education)).
- C. Rules applicable to accountants working in public practice.

This is an explanation for each rule above :

**A. Rules that applied to professional accountants:**

- Integrity and objectivity:**

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Integrity means honesty, fair dealing and objective trust, so that it means the justice, scientific honesty and freedom from conflict with interests.

**Solving the moral conflicts:**

In the sense that a professional accountant should be always conscious and Cautious to the factors that causes conflict that includes opposed to the responsibilities with the Interests of employers.

As a first step, the professional accountant must commitment to the policies set by the enterprise in which he works, until he finds the right solution, and if these policies didn't help him to be solved, then he should consider the following and in administrative sequence :

- ✓ Review the problem of conflict with the direct manager.
- ✓ Review the manager of the highest level of direct manager.
- ✓ Review of the Executive Committee and the Board of Directors and the Board of Trustees.
- ✓ The search for confidential consultations with an independent consultant.
- ✓ Resignation in large matters (as cheating) with present a report to the enterprise and Auditing authorities.

**Tax practice:**

It means that the professional accountant presents the tax damages a customer on the basis of integrity and objectivity in light of the information that available to him, As the responsibility for the contents of the damage is mainly on the work and the professional accountant must not attach his name with any decision or any other data presented to particular parties if there is any doubt that there is a possibility of incorrect data.

**Cross-border activities:**

It means that a professional accountant presents his services in another country, Here he has to follow the international ethical requirements if the requirements are implemented at a lower level than that state, But if the moral requirements are more severe in one country, then he should actual commitment to these requirements as much as possible, and If the ethical requirements of the origin country of the accountant are mandatory for the services of that country and more stringent than previously stated, so It applies original international standards of accountant (Al-Qassas, 2014: 100-102).



**☑ Professional competence and necessary care:**

The section (130) includes the principle of professional competence and the necessary care that is by imposes the following obligations on the professional accountant.

- ✓ Maintain professional knowledge and skills at the required level to ensure that clients or employers receive efficient professional service.
- ✓ Performing the tasks with diligence and care in accordance with the technical and professional standards in force when presenting the required professional services, to ensure that customers or employers obtain the efficient professional service, as efficient professional service also requires practice good judge in applying and knowing the professional skills in the performance of that service, and the Professional efficiency can be divided into two separate phases:
  - First: obtain professional efficiency.
  - Second: to maintain professional efficiency.

And the professional efficiency in order to maintain it requires continue awareness and understanding to the relevant professional and the technician commercial developments, therefore the continuous professional development leads to the development of capabilities that enable the professional accountant to perform efficiently and professionally in professional bodies and maintained, and the hard work and diligence include the responsibility to act in accordance with the requirements of the task in a Carefully, comprehensively and in a timely manner, so the professional accountant should take steps to ensure that those working under his authority have the appropriate training and supervision profession, where appropriate, the professional accountant shall inform the clients, employers or other users of the professional services of the inherent limitations of the services in order to avoid misinterpretation of the opinion as it the assertion that the truth of what.

**☑ Confidentiality:**

The section 140 included that the confidentiality principle imposes an obligation on accountants to refrain from.

- ✓ Disclosure of confidential information outside the company or employer and that obtained as a result of professional or

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commercial relations without specific and proper authorization, only if there is a legal or professional right or duty to disclose it.

- ✓ Use of confidential information that been obtains as a result of professional and commercial relations for their own benefit or for the benefit of other parties.

So the professional accountant should maintain confidentiality even in the social environment, also he should be vigilant, for possibility inadvertent detection, especially in the circumstances of long participation with the commercial partner or a member of the family directly or close form, and also he should maintains the confidential of information disclosed by a potential client or employer.

And the professional accountant should also studying the need to maintain the confidentiality of information within the company or employer, and take all reasonable steps to ensure that employees respect his control, and the people who we obtained advice and assistance from them are kept secret.

Also the need to commitment to the principle of confidentiality should continue even after the termination of the relationship between the professional accountant and the client or employer, when the professional accountant changes or his nature or becomes a new client, the professional accountant is authorized to use the previous experience, but should not use or disclose any confidential information that has been obtained or received as a result of a professional or commercial relationship.

Below are the circumstances in which professional accountants may be required or may be required to disclose confidential information or where disclosure is appropriate:

- ✓ Allowing disclosing the power of the law and be authorized by the client or employer.
- ✓ The existence or duty of a professional right to disclose when it is conferred by force of law, therefore, in determining whether confidential information should be disclosed, professional accountants should take on their account the following points:
  - Whether it is possible to harm the interests of all parties including the three parties whose interests may be affected

if the client or employer agrees to disclose information by the professional accountant.

- If all relevant information is known and substantiated to the extent possible when the case involves, unsubstantiated facts or incomplete information or uncertain results, the professional judgment should be used to determine the type of disclosure to be done.
- The type of expected reports and the party that these reports are pointed, specifically the professional accountant must be convinced that the parties to whom the reports are addressed are the appropriate workers.

**Professional behavior:**

The section 150 included that the principle of professional conduct imposes an obligation on accountants who are professional to implement the relevant laws and regulations and to avoid any act that may harm the reputation of the profession, and this includes acts that are considered by a reasonable and knowledgeable third party to have knowledge of all relevant information, that these acts adversely affect the good reputation of the profession, therefore, when marketing and promoting themselves and their work, professional accountants should not disrupts to the reputation of the profession, but must be safe and honest, and they should not do the following:

- ✓ Publicize exaggerated advertising about the services they can presenting or the qualifications they possess or the experience they have acquired.
- ✓ Start abusive signals or unconfirmed comparisons with others' work.

**3-4. Financial reporting:**

is presenting the general purpose financial reports intended to provide information that meets the needs of external users who cannot obtain the information they need directly from the reporting unit, or is defined as a process of measuring the financial statements that is related to the corporate and disclosing it as information through basic financial statements, initial progress reports and other means for delivery to administration and stakeholders parties to assist them in rationalizing decisions.(Harriss 2017: 50).

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### 3-5. International standards and local rules for financial reporting:

<b>IFRS1</b>	<b>Adopting the financial reporting standards for the first</b>
<b>IFRS2</b>	Payment based on the price of shares
<b>IFRS3</b>	Business consolidation
<b>IFRS4</b>	Insurance contracts
<b>IFRS5</b>	Non-current assets that held for sale and expected operations
<b>IFRS6</b>	Exploration and evaluation of mineral resources
<b>IFRS7</b>	Financial tools and Disclosures
<b>IFRS8</b>	Reporting on operational sections
<b>IFRS9</b>	Financial tools
<b>IFRS10</b>	Consolidated Financial Statements
<b>IFRS11</b>	Joint arrangements
<b>IFRS12</b>	Disclosing the rights of other enterprises
<b>IFRS13</b>	Fair Value Measurement
<b>IFRS14</b>	Regulatory Deferral Accounts
<b>IFRS15</b>	Revenue from Contracts with Customers
<b>IFRS16</b>	Leases
<b>IFRS17</b>	Insurance Contracts

### 3-6. Quality characteristics of accounting information:

- **Understandability:** means that the data is free of ambiguity and requires that the shown financial information be presented in the financial statements clearly and accurately and far from the complexity and difficulty, but that some phenomena are complex in nature and are not easily understood, Where the financial statements are prepared for users who have a reasonable level of knowledge of business and economic activities and they have desire to study and analyze this information. ( Richard ,2016:45)
- **Appropriate:** In order for the presented financial information to be appropriate, it must be relevant to the decision and thus affect the economic decisions of the users by helping them evaluation past, present and future events, or modify the previous evaluation process, and the financial information considered is appropriate for its predictive role in predicting the expected performance of the enterprise in future periods and the enterprise's ability to cope with events and unexpected future changes, it is known that there

is an overlap between prediction and confirmation. (Kieso,2007:45-52)

- **Reliability:** In order to be highly reliable and useful, the information must be free from important errors, neutral and reliable by users of information represented by the honesty processes and events, or future events are expected represented in reasonable. ( Nanda,2010:24)
- **Appropriate Timing:** The information is useful when it's been available to decision-makers at required time before losing its ability to influence the decision, the presence of companies of different size, which extends beyond the borders of a country and vary in terms of activity, and of which medium and small size. ( ICAT,2012:157)

Therefore, when presenting financial statements to a large company three months after the end of the fiscal year may be considered appropriate while this date is not suitable for a medium and small size company, although the same size, but its activity requires that the financial statements before this date, an example of this situation is the banks, the International Accounting Standards Board (IASB) has clarified that the specificity is achieved through the following sub-characteristics : (Harris, 2017: 65), ( Danel ,2016:13), ( Asheq ,2016:54), ( FASB&IASB,2001) :

- **Capability to symmetry and comparison:** The users of the financial statements have the ability to compare the financial statements of the enterprise with financial statements of enterprises or economic unit for a specific period of time because they have the ability to make comparisons in a timely manner and between institutions.
- **Consistency or stability:** It means stability in the use of accounting methods (e.g. stock valuation method) which leads to comparison of results to the same organization for different financial periods, In case of departure from this property, then should disclosed of the quantitative effect of change and the reason of this change.
- **The honest representation:-** The attention of the Financial Accounting Standards Board (IASB) was start to the financial statements and their important role to the beneficiaries of the

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financial statements through what its contained their documented information and represent the honest in their contents, because it provides data on past events of economic unity, and its impact on shares movement, and the continued emphasis on commitment to the standards of preparing financial reports, and there is a set of secondary characteristics that must be characterized by the financial statements so that their representation is honest. (FASB: 2010)

- **Completion:** Which includes a complete description of the necessary information for the user to understand the phenomenon that is photographed including all the necessary descriptions and explanations, for example the full description of a group of assets and the nature of each asset.
- **Neutrality:** Which being impartial in the selection or representation of financial information, where the neutral description is not distorted, weighed, confirmed, or minimized its relative importance, and the manipulating it to increase the likelihood that financial information will be obtained continuously by users.
- **Free of errors:** Which does not mean the extreme accuracy in describing the phenomenon, for example, the estimate of the price or the unforeseen value cannot be determined as accurate or inaccurate.

### **3-7. Egyptian Accounting Standards:**

- The new Egyptian Accounting Standards were issued as per the decree of the Minister of Investment, Dr. Mahmoud Mohi El Din no.243/2006 to replace current ones issued under the two ministerial decrees no. 503/1997 and 345/2002.
- The 35 Egyptian accounting standards were prepared according to international standards of preparing financial statements issued by the International Federation of Accountants except the adjustments referred to at the Adjustment Annex.

- The new standards include a preface that is an integral part of the EAAS. The preface includes the following:
- Issues that were not addressed at the EAAS are subject to international standards of financial reporting until new Egyptian standards are issued.
- The establishment administration is responsible for preparing its authorized and published financial statements; observing EAAS of adjustments and disclosure. ( Habeeb ,2016)
- The establishment administration may need to prepare financial statements or data for the purpose of analysis, evaluation or decision taking. In that case, the statements and data can be considered internal and it would not be necessary to meet adjusting and disclosure standards stipulated in EAAS. When submitting those statements, the establishment should be so keen to rule out any misunderstanding that the user may have about their authenticity.
- Each standard contains a number of paragraphs covering its subject; some stating the standard wording, are typed in a bold underlined font and the others are elaboration. At all cases, standards should be read as one unit.
- Some standards contain paragraphs labeled as cancelled rather than deleting them and adjusting the numbers of the next paragraphs. This method was used to keep the serial number of the paragraphs without having to change the number of paragraphs when referring to them in other standards.
- The standards should be applied on the most important items and observe them as guidelines in relatively less important ones. The importance of the item can be measured through its effect on the regular user of the financial statements in the light of its weight and relation to the volume of the establishment as well as the surrounding circumstances.

**The framework of preparing and presenting financial statements**

**Preparation and Presentation of Financial Statements**

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<b>ESA 1</b>	Presentation of Financial Statements
<b>ESA 2</b>	Inventories
<b>ESA 4</b>	Statement of Cash Flows
<b>ESA 5</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>ESA7</b>	Events after the Reporting Period
<b>ESA 8</b>	Construction contracts
<b>ESA 10</b>	Fixed assets and its depreciation
<b>ESA 11</b>	Revenue
<b>ESA 12</b>	Government Grants and Disclosure of Government Assistance
<b>ESA 13</b>	The Effects of Changes in Foreign Exchange Rates
<b>ESA 14</b>	Borrowing Costs
<b>ESA 15</b>	Related Party Disclosures
<b>ESA 17</b>	Consolidated and Separate Financial Statements
<b>ESA 18</b>	Investments in Associates
<b>ESA 19</b>	Disclosure of the financial statements of banks and other related financial institutions
<b>ESA 20</b>	Accounting rules and standards related to Financial Leasing
<b>ESA 21</b>	Accounting and Reports on Retirement Benefits Systems
<b>ESA 22</b>	Earnings per Share
<b>ESA 23</b>	Intangible Assets
<b>ESA 24</b>	Income taxes
<b>ESA 25</b>	Financial instruments: Disclosure and Presentation
<b>ESA 26</b>	Financial Instruments: Recognition and Measurement
<b>ESA 27</b>	Interests in Joint Ventures
<b>ESA 28</b>	Allocations, Assets and liabilities
<b>ESA 29</b>	Business Combinations
<b>ESA 30</b>	Periodical Financial Statements
<b>ESA 31</b>	Impairment of Assets



<b>ESA 32</b>	Non-current Assets Held for Sale and Discontinued Operations
<b>ESA 33</b>	Sectoral Reports
<b>ESA 34</b>	Real Estate Investment
<b>ESA 35</b>	Agriculture
<b>ESA 36</b>	Exploration for and Evaluation of Mineral Assets
<b>ESA 37</b>	Insurance Contract
<b>ESA 38</b>	Employee Benefits
<b>ESA 39</b>	Share-based Payment

Based on the above can be said Egyptian Accounting Standards brought in line with IFRS regs under new amendments Where what :

- ❖ The amendments to the Egyptian Accounting Standards aim at establishing the principles that companies must abide by in order to provide appropriate information to financial statements' users. He added that these standards will achieve integrity and accuracy upon presenting financial statements that is through standardizing accounting policies and procedures for companies in order to provide more disclosure and transparency to financial statements' users and enabling them to take economic and financial decisions on sound basis. Moreover, these amendments represent a step to overcome a major obstacle hindering the competitiveness of the Egyptian market in attracting foreign investments. Also, it prepares the Egyptian economy to enter the scope of work of major companies.
- ❖ The amendments issued by the Committee have introduced three Accounting Standards represented in the Egyptian Accounting Standard no. (47) for financial instruments and in accordance with IFRS 9. In addition to, the Egyptian Accounting Standard no.48 regarding revenue from contracts with customers pursuant to the International Financial Reporting Standard (IFRS) no. 15 to replace the Egyptian Accounting Standard no.11 related to revenue and standard no. 8 related to construction contracts. Finally, the most recent of which is the Egyptian Accounting Standard no. (49) for leasing contracts pursuant to Financial Leasing and Factoring Law no. 176 of 2018 issued in August 2018 to replace the Egyptian Accounting Standard no. (20) related to financial leasing.

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- ❖ The standards related to the new standards have been amended and the Committee issued an Egyptian accounting interpretation (Public Service Privileges Arrangements) which deals with joint projects between the government and the private sector. In addition, the Authority added paragraphs related to the fair value model within standard no. 34 on real estate investment, noting that using this model shall be limited to real estate investment funds only.

#### 4- Practical side:

Through the practical side the test the hypotheses of research done as follows:

##### 4-1. Test hypothesis:

Lack of objectivity of the auditor in the financial reporting standards affecting the decisions of investors in the companies the research's sample.

##### ✓ Historical profile of the research sample :

The bank Audi was established under the certificate of incorporation No. 7909 on 23/8/2001 with a capital of 1000000000 Egyptian Pound, has been increased to reach 100 billion Egyptian Pound until 31/12/2012, the bank has obtained the license of banking practice numbered 9/3/1909 in doing the auditor to hide a real substantive affect the validity of the information he worked professionally, whether this covering was deliberate or was supposed because he is described as a professional person must know that hiding or deleting affects the validity of published information 3 / 12/2011 issued by the Central Bank of Egyptian, this shows that the auditor is not neutral and independent of give the opinion in the final product, which is represented in the report of the auditor.

##### ✓ Activity Highlights (As of Des 2018) :

- EGP 70.557Billion in Total Assets
- EGP 29.688Billion in Total Loans
- EGP 6.063Billion on Shareholder's Equity
- EGP 61.168Billion in Customer Deposits
- EGP 325.967Million of Net Profit

No	Property name	The impact of the violation on indicators of investors' decision International Financial Reporting Standards and Egyptian Local Rules

1	<b>Appropriate</b>	The financial information for 2018 shows to the beneficiaries in an inappropriate and not Depend manner in making decisions and thus loss of predictability of the expected performance of the enterprise and thus reflects negatively on the decisions of investors and beneficiaries In violating what stated in Standard No (19) for the operating sections, and determine the related accounting policies and disclosure requirements for sections, And in violation of local base No. (25) that is specialist to discourging of information relating to the financial statements and accounting policies.
2	<b>Reliability</b>	Indicators of financial reporting efficiency are affected by the above violation, where the bank should create the financial information to be reliable when making economic decisions by users of that accounting financial information, after reviewing the report of the auditor and the financial statements and verifying the violation and auditing the financial statements by the auditor that the financial information is not in accordance with the legislations and regulations, then the information appears to be unreliable and this is evidence of loss (Verifiable) thus loss of audit results obtained after doing verification procedure with the other banks that follow the same procedures.  In violating what stated in Standard No (19) for the operating sections, and determine the related accounting policies and disclosure requirements for sections, And in violation of local base No. (25) that is specialist to discourging of information relating to the financial statements and accounting policies.
3	<b>The honest representation</b>	The final accounting information announced by the Egyptian Stock Exchange for the year 2018 was information in violation of the instructions, regulations and professional conduct rules of the auditor, The auditor did not confirm in his report that the manipulation of balances and accounts

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		<p>appear in particular does not expressed the real financial situation of the bank and this is an indication of the lack of honest representation of financial information.</p> <p>In violating what stated in Standard No (19) for the operating sections, and determine the related accounting policies and disclosure requirements for sections, And in violation of local base No. (25) that is specialist to discouraging of information relating to the financial statements and accounting policies.</p>
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**4-2. Testing the hypothesis:**

Default and negligence by the auditor in the financial reporting standards that affecting the decisions of investors in companies the research's sample.

✓ **Company(x) (private contribution) :**

The CIB bank was established under the certificate of establishment of the number M.E. 6576 on 2/1/1999 issued by the Registrar of Companies with a capital of 2 billion Egyptian Pound and obtained the license to practice the profession of banking by the Central Bank of Egyptian and started its activity on 28/8/1999.

No	Paragraphs
	<ol style="list-style-type: none"> <li>1. Egyptian accounting standards requirements</li> <li>2. IFRS requirements.</li> <li>3. Financial reporting indicators.</li> </ol>
1	<p>The auditor did not pay effort professional care regarding the cash flow statement, Where he prove a note was made in his report that data relating only to the balance sheet and current accounts were prepared in accordance with the accounting rules.</p> <p>Violation of Egyptian Accounting Standard No. (4) Statement of Cash Flows</p> <p>Violation what stated in Standard No. (4) Special to the disclosures because of didn't pay professional attention effort about the cash flow statement indicates Unavailability the Reliability of accounting information For the purpose of decision-making</p>
2	<p>because of The auditor didn't make a notice on the company in the preparation of planning budgets for the purpose of comparison between the planning budgets of the elements of the financial center</p>

	<p>and the actual budget planned, And the use of profitability ratios for the purpose of knowing the company's expected performance and comparing it with previous years .</p> <p>And violation of Egyptian Accounting Standard No. (19) , Disclosure of the financial statements of banks and other related financial institutions .</p> <p>violation what stated in the standard (25) of the operating sections and to identify the relevant accounting policies And sections disclosure requirements</p> <p>The lack of pay effort to do professional care affect the efficiency of reporting and this is a weakness in the Characteristics of reliability and Characteristics honesty in representation when making decision by the users of Accounting Information.</p>
3	<p>The lack of pay effort by auditor to identify and evaluate the internal control system, and to identify the company's system and internal control.</p> <p>And violation of Egyptian Accounting Standard No. (19) , Disclosure of the financial statements of banks and other related financial institutions .</p> <p>violation what stated in the standard (25) of the operating sections and to identify the relevant accounting policies And sections disclosure requirements</p> <p>The lack of pay effort to do professional care affects the efficiency of financial reporting and Not available of appropriate accounting information for beneficiaries for the purpose of making decisions.</p>
4	<p>The lack of pay effort by auditor in his report that notices on the administration to organizing of the list of retained profits in accordance with the accounting rules and declaration of profits per share, And did not mention in his report a note to the company whether there were substantial changes and events or did not exist.</p> <p>And violation of Egyptian Accounting Standard No. (19) , Disclosure of the financial statements of banks and other related financial institutions .</p> <p>violation what stated in the standard (25) of the operating sections and to identify the relevant accounting policies And sections disclosure requirements</p> <p>The lack of pay effort to do professional care affects the efficiency of financial reporting and poor honesty in accounting information representation.</p>

## 5- Conclusion and recommendations :

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**First: Conclusions:**

1. External Audit considered as a function performed through independent auditor from the enterprise, his main objective is to provide assurance to the users of the financial statements of the enterprise through the impartial opinion issued as to the extended the accuracy, accuracy and fairness of these financial statements.
2. Among the reasons that limit the commitment to the implementation of the guidance of the External Auditor is the weakness of the administration's interest in the reports of the latter and the opinions contained in it that serve the institution positively form.
3. The quality focuses on the degree of found out the external auditor to the errors and irregularities that found in the statements and reporting on it.
4. The cheating and illegal behavior may be used in complex plans and projects and tightly in carefully form, which designed to hide the cheating and illegal behaviors.

**Second: Recommendations:**

1. Enterprises should follow the guidance and recommendations of the external auditor and Commitment to the standards for the purpose of making decisions by investors, whether inside the organization or outside the organization.
2. Develop, Follow up and monitor appropriate programs and supervise their implementation.
3. The auditor has to obtain an understanding of administration's assessment of the risk of Probability that the financial statements will contain material misrepresentations that resulting from cheating and illegal transactions.
4. Study and understand the accounting system and internal control system applied to prevent errors and cheats in the financial statements.

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