

DO THE DIFFERENT COMPONENTS OF THE INTERNAL CONTROL SYSTEM SIGNIFICANTLY CONTRIBUTE TO THE QUALITY OF THE AUDIT REPORT IN EGYPT?

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ABSTRACT: *This paper investigates the effects of internal control system (control environment, control activities, Risk assessment, information & communication and monitoring) (ICS) on the Quality of audit report (QAR). A questionnaire was used to collect data regarding the perceptions of the external and internal auditors on the effect of internal control system on the audit report quality. In order to support and confirm the questionnaire results, a number of interviews were conducted with two target groups. The questionnaire was distributed to (55) external and internal auditors, practicing the profession in Egypt after being reviewed by its professors in the Egyptian universities specialized in statistics. 40 of which were received, this yields a response rate of 72%. The results of the statistical analysis showed a statistically significant effect of the information and communication, monitoring on the quality of the audit report. On the other hand, the relationship between (control environment, control activities and risk assessment) and audit report quality not significant. The research makes a significant contribution to knowledge and practice in the auditing field in Egypt, by identifying the justification for this finding is that internal control systems in Egyptian companies are flawed and lack the current scientific tools because most of these companies rely on old procedures to evaluate their internal control systems. Therefore, these procedures must be modified and overcome.*

KEYWORDS: Egypt, Components Internal Control System (ICS), the Quality of Audit Report (QAR).

INTRODUCTION

The failure of some major companies in the United States (e.g. Enron, WorldCom), as well as in Europe and in other parts of the world, led to a deterioration of confidence not only in auditing and audit firms, but also in the accounting profession and the negative impact on financial markets. All of which led to increased attention to the internal control system (ICF) and its role in improving the audit report quality (ARQ).

Where the importance of the internal control system (ICF) is to examine and evaluate the internal processes and procedures of the firm (Sarens, 2009). This has been confirmed by the definition of the Public Company Accounting Oversight Board (PCAOB AS 5) explicitly indicating that the purpose of internal control over financial reporting (ICFR) is (i) to ensure the quality of financial disclosure, Internal balances, and (ii) protection of institutional resources.

It is dangerous to issue an incorrect audit report which means the audit risk, risking the business and risk of financial statements that impede the establishment from achieving its objectives, resulting in the liquidation of the company for its business and the suspension of its activity as a result of issuing incorrect financial reports leading to misleading users of the financial statements and making incorrect decisions.

The audit process shall end with the audit report and shall be communicated to the interested parties. Each report differs from the other depending on the type of audit and the circumstances of its preparation. Therefore, the word of the inquiry in the definition of the audit is intended to judge the validity of the final financial statements as a proper expression of the work of the project for a particular financial period (Albring&Keane, 2009).

So the external auditor attaches great importance to the internal control system because the limits and type of implementation of internal controls are very important in determining the audit method and audit samples. Decisions on the audit process can be made only after an effective internal control system is in place because it reduces the time required to increase the quality of audit, large errors, distortions, validation of financial statements and a study to understand the impact of internal control mechanisms and their contribution to improving the quality of the audit report, Internal control over the quality of the audit report and access to the causal relationship between the internal control function and the quality of the audit report.

The effective internal control system provides a major support function for the external auditors, thus, the problem is that if effective internal controls influence increasing audit report quality.

The objective of external audit is expressing an opinion on the truth and fairness of financial statements. It is very important because the quality of audit report will give positive effect to users of financial statement; the external auditors are being challenged to be more cost effective while improving the audit report quality (ARQ), as well as the audit client. He should reduce the external auditor's fees with high quality in the audit report. Therefore, previous studies have focused on the role of the internal control function on the quality of financial disclosure or on the quality of financial reporting and did not address the impact of the internal control function on the audit report quality , So this is the subject of this research.

Professional liability requires the external auditor to exercise professional skepticism and be aware of the potential of significant, effective and fraudulent practice, fraud, and this is achieved through procedures that enable it to obtain the information used to determine the risks of material and misstatement resulting from accounting practices that lead to the preparation of misleading financial statements, and the issue of the auditor's report including the professional opinion on the fairness of the presentation of the financial as a whole.

The external Auditors assess and evaluate the quality of the company's internal control system to identify and plan the scope of audit process (Gumnetz, Nunamaker, Surdik and Thomas, 1982). Generally accepted auditing standards in the second field work standard emphasize the need to assess the quality of internal control by the the external auditor and obtain an adequate understanding of the entity and the internal control environment prior to audit (Minne, 1966). Egypt follows the general law of accounting and auditing and the provisional law of the Egyptian Association of Certified Public Accountants with the other laws that govern the auditing profession in Egypt. However, internal control has many interrelated elements,

including the control environment, risk assessment, monitoring, communication and control activities (Takahiro & Jia, 2012);

Internal control in Egyptian public institutions suffers from many problems. These include, for example, the lack of qualified staff, the absence of main elements of internal control systems, and the inability to use the necessary technical tools in internal control and the absence of professional staff in the Professional category. Egyptian auditors continue to use traditional auditing techniques and ignore the business risk audit approach for many reasons. However, this indicates that the auditing profession in Egypt faces many challenges in adopting current audit views. In contrast, the current study is to investigate the impact of the main components of the internal control system on the quality of the audit report. However, the relationship between the quality of internal control and the quality of the audit report has been neglected in previous research, particularly in developing countries. In particular, this study attempts to highlight the relationship between the various components of the internal control system and the quality of the audit report. However, this will bridge the gap in previous studies and contribute to knowledge in this area, especially in developing countries that lack these types of studies. In contrast, the current study aims to answer the following question:

Do the different components of the internal control system significantly contribute to the quality of the audit report in Egypt?

So the problem of the study is that if effective internal controls lead to detection of significant errors and distortions and reduction of incidental auditing in audit process, and validating financial statements (Chauvidul, 2003). And if effective internal controls influence increasing audit report quality. And it uses the measurement method that relies on personal judgment in most cases. This is in order to obtain evidence of the neutral technical opinion on the validity and integrity of the audit report, while taking into account the risks surrounding the audit process and its impact on the external auditor's opinion and the responsibilities of professional and legal references.

Therefore, the problem of the current study can be identified in the main question: What is the impact of the internal control system on the quality of audit report in the Egyptian Audit Market ? And some of the sub-questions are as follows:

- What is The impact of control environment on the audit report quality?
- What is The impact of risk assessment on audit report quality?
- What is The impact of information and communication on the audit report quality ?
- What is The impact of quality control activities on the audit report quality?
- What is the impact of monitoring on the quality of the audit report quality?

Audit standards require the external auditor to rely on internal control system after verifying the quality and objectivity of the internal control work (Abbott, Parker & Peters, 2012a). So the external auditor is very interested in the internal control system because the limits and type of implementation of internal controls are very important in determining the audit method and audit samples.

US Auditing Standard No. 82 states that the auditor should plan and perform the audit to obtain appropriate assurance that the financial statements do not contain false data, whether by mistake or fraud:

- The auditor should specifically assess the risks of material misstatement in the financial statements
- As a result of fraud and should take into consideration that estimate on the design of audit procedures required to be performed.
- The auditor should examine the risk factors associated with fraudulent financial reports and asset misappropriation
- The professional judgment of the external auditor is the main reference for judgment or opinion in the audit of financial statement. Therefore.
- The scientific and practical qualification of the auditor has implications for the audit quality as well as the reliability and reliability of the report.

The results of this study aim to improve the quality of internal control in companies, which is reflected positively on the audit report quality. The field work standards are the necessary guidance for the auditor to conduct the examination process, such as gathering evidence and others, and the first fieldwork standard is Adequate Planning and Supervising This standard requires the auditor to plan what will be done before the start of the audit, The planning process should be carried out by the auditor; including planning and monitoring the internal control system evaluation process, as well as the investigation of the assets and liabilities of the company.

External auditors recognize the importance of the internal control system, because limits, type and implementation of internal controls is important in determining the scope of work of the auditor, independent auditors can make decisions regarding financial reports after investigating internal controls. Management of the institutes pay great attention to internal control systems, because management are realize that in case of weak of effective internal control system, Achieve the main task of the company, maintain profitability and minimize the unexpected events will be very difficult. So the current study aims to investigate that if internal controls are effective in the audit process including time, cost, and quality, detecting large errors and validating of audit reports. The importance of this study is that effective internal controls are expected to justify the audit incentive and highlight the importance of internal controls and their direct relationship with the auditor's report. As a result, the audit report has become increasingly relevant and reliable. (Achim, Chiş 2014).

The external auditor should have an understanding of the five internal control components, (the control environment, the control activities, risk assessment, information and communication and monitoring) so that he can assess the audit risk, that plays an important role in the external audit area and its importance in planning the audit process. In recent years there has been increasing interest in the extent to which the external auditor is able to deal with the management of the audit process, and despite the importance of auditors' knowledge of the auditor's risk appetite for achieving a more efficient allocation of audit resources, Various professional organizations governing the auditing profession has not issued sufficient guidance for auditors. (Karagiorgos, Drogas & Giovanis, 2011)

The study aimed to determine the extent to which the external auditor relied on the elements of internal control when he was assigned the audit process. The researcher concluded that the shift from audit complete to audit sampling was one of the most important factors affecting the increasing interest in internal control. The external auditor also relies on the information and communication system, internal control activities, monitoring component, control environment, Risk assessment to improve the efficiency and effectiveness of the audit process and thereby increase the quality of the external audit report.

The research is characterized by addressing the subject of internal control components; through the review the newly released components for COSO, in addition to what the researchers reported, impact assessment the auditor of those components on the risk of internal control, in the Egyptian audit environment.

During the previous period, there have been many different views on the elements of internal control from the point of view of some; including organizational structure, accounting system, internal audit, quality and training of staff, internal control has expanded and developed in such a way that the above elements are considered as aspects of internal control.

Audit firms face some of the challenges and problems of mismanagement and the occurrence of some abuses, whether financial or administrative And manipulation of information and data in their financial statements to achieve a certain gain which is considered a departure from the scheme and give misleading information to potential investors on which to make their own decisions., As well as the weakness of regulatory legislation that contributes to the exploitation of power to serve personal goals., These businesses are increasing in private companies as a result of individual control of decision-making even in public shareholding companies that are supposed to be subject to legislation and regulations that may make them gain legal power but whose provisions are not enforced due to poor oversight by the concerned parties Or shareholders in the public corporation companies.

So the importance of the study is due to the importance of the relation between internal control system and audit report quality as follows:

- 1- Having addressed a very important issue by determining the impact of the internal control system on the quality of audit reports.
- 2- The results of this study can be greatly benefited by companies by identifying the impact of the internal control system on the quality of audit report quality, which may reduce the manipulation of data and financial information contained in the financial statements.
- 3- This study may contribute to supporting the true representation of the audit reports of these companies which may positively reflect the confidence of investors and all concerned parties and thus improve the reputation of these companies in the market. (Jokipii, 2006).

In the absence of an internal control system, it will have implications for the company, making it difficult in reaching their goals, including:

- Excessive use of material resources.
- Loss of time and misuse
- Weakness in doing business

- Low productivity.
- The emergence and aggravation of problems.
- Lack of access to goals, which is difficult to judge the effectiveness of the company.

To answer the research question is based on the responses of external and internal Egyptian auditors, the results of study indicated that the monitoring, communication and control activities are the internal control system components that contribute significantly toward an audit report quality. The reminder of the paper is organized as follows. Section two literatures review and hypotheses development. Section three presents the Study Methodology. Section four describes data collection process, study variables and statistical techniques adopted. Section five discusses study findings. Section six concludes the study.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Previous studies

The study by Clay and Haskin (1981), raised Study question: Can internal auditors reduce the cost of independent review? The results of the studies indicate that most companies require high quality internal audit, and bear high costs to achieve this goal. Most financial managers of audit firms also felt that internal audit was an independent function for the Organization and that the results of internal audit should be used by other independent auditors so that independent audit costs could be reduced.

The results of (Hung and Han, 1995) show that with the increased skills of internal auditors, independent auditors can outperform their performance. In fact, because of these features, the size and time of independent audit work is reduced, and the cost of auditing is reduced. Another study by (Donald LMini, 1996) in his work entitled "Internal Audit and Audit Program" investigated the quality of internal control in the prevention of compensation except the resulting plot of violations and their relationship with audit program. Research results showed that the evaluation of internal controls during corporate audits leads to the revision of the adjustment program. Cohen, Krishnamurti, and Wright (2002) study the impact of corporate governance on the audit process. In order to find effective governance factors in audit programs, the strength of corporate governance should be properly identified and evaluated. These documents and manuals are then used to develop the audit program, If the governance structure is strong, the auditor can reduce the case size and cost content tests. The study (Lee & Howard, 1999) showed that the external auditor is one of the most likely to be affected by the management's preparation of reports on internal control systems for several reasons . Internal control systems are the starting point for the work of the auditor, relying mainly on the choice of samples to be examined and the size of each .Internal control systems are considered to be an important factor affecting the amount of evidence to be relied upon in expressing their neutral opinion on the financial statements. In the event that the management prepares reports on the effectiveness of its internal control systems, this will change the role of both management and auditor.

As Ramos (2003) has shown, the impact of the size of the Office of Audit on the application of practices that would reduce profits motivated Avoiding tax burdens the result of the study was that establishments that are subject to review by large audit firms are more likely to observe

these practices. Another study (Tatum & manner, 2003) examined the auditor's perception Of his legal responsibility And the possibility of being questioned due to a report that may harm the third party or the facility under review, The auditor took into account the risk of legal liability, she said And its willingness to accept misleading accounting practices to achieve a high level Of the examination. (Smith & Baharuddin ,2005) study shows that customer risk is affected The position of the External Auditor on such practices The study addressed the motivations of customer retention And the risk of the client's actions on the auditors' decisions regarding the acceptance or non-acceptance of fraudulent practices Which ultimately affect the quality of the auditor's report negatively. And PCAOB (2004) recommended that the AS-2 standard be used (PCAOB) to review the management's estimates of the Company's internal control systems through the same audit facility that performs the audit of the Company's financial statements, In order to integrate the work performed to review the internal controls with the work performed to review the financial statements of the company, The Audit Supervisory Board decided on the companies that such reviews should be integrated as the objectives related to the activation of the internal controls of the company and the performance of the audit of the financial statements between them closely linked, The study was based on the presentation of part of the standard to clarify the aspects of internal control that were overlooked in the practical reality:

- Rules of selection between the accepted accounting principles
- Supervision of the financial report process at the end of the period
- Lack of anti-cheating programs.

The study by The Payne & Ramsay (2005), study has confirmed the reputation of the audit office Was one of the factors affecting the position of the External Auditor Towards improving the quality of independent auditor report. The study by (Mensah & prattipati, 2006) pointed to the need to expand the auditor's responsibility towards internal control systems. This contributes to the assessment of control risks. There is an inverse relationship between the effectiveness of the examination and evaluation of internal control systems and the accurate control risk assessment. The study concluded that the preparation of the internal auditor's audit report leads to increased pressures and obligations on the external auditor in his training for other services. The study concluded that these pressures lead to the dispersion of the auditor's effort and thus the lack of professional performance. Another study by (Vadiee and Koochaki, 2008), studied the effectiveness of the internal control system. Their research question was as follows: Internal control system in companies applied to prevent the occurrence of errors, distortions and crimes in an efficient and efficient manner? In other words, they investigated whether the internal control system was effective in the opinion of an independent auditor. In addition, if the auditor assesses the impact of the audit on the internal control system? The results of this research showed that internal controls in companies are not effective and that the independent auditors' assessment of the effectiveness of the controls is not the basis of the audit.

The study by (Taghi,Nataj and Bahramian,2011) in their work "Assessing the Effectiveness of Internal Control in an Investment Company" in the application of the test on the effectiveness of internal controls in an investment firm in order to assess the optimal use of economic, human and social resources. Investment Company the study was selected as a practical model for determining the effectiveness of the internal control system based on the COSO approach.

Research results showed the evaluation of the effectiveness of internal controls, obtained through the implementation of a practical model and the use of the COSO plan was reliable. And The study by (Ioan-Ovidiu Spatacean, 2012) in his research entitled "The Treatment of Fraud Risk by Testing the Effectiveness of Internal Controls on Financial Reports The Case of Romanian Financial Investment Companies" showed that internal controls have a significant impact on the responsibility of financial statements prepared and have a significant impact on investment decisions. Here, the auditors must assess fraud risk factors correctly. The results of his research showed that more effective internal controls reduce the risk of fraud in financial assets. In his work entitled "The Impact of the Management's Speech on Independent Auditors on Internal Audit System Companies Audited by the Audit Body", Sadigy (1997), found that if independent auditors neglect weaknesses in internal controls of firms, the audit report will not be reliable. Thus, weaknesses in the system should be identified and the management of the business unit informed in order to eliminate them. The study by (Maham and Tacrosta, 2012) investigated the obstacles to the evaluation of internal control in an independent audit. In this paper, low fee review contracts, weak academic education, lack of appropriate audit procedures, traditional business units, cost of evaluating internal controls, and lack of vocational training were identified as obstacles to the evaluation of internal controls, respectively.

It is clear from the previous studies in the field of research showing the researcher the following:

- There are no previous studies showing a relationship between the use of the internal control system and the quality of the quality of audit report.
- There is not yet - any integrated scientific study on the role of components of the internal control system in improving the quality of the audit report in light of the regulations of professional organizations.
- There is no international or local review standard that presents an integrated framework for the role of the internal control system components in improving the quality of the external audit report, despite the importance of this to the users of the financial statements and the reflection on the stock market.

As mentioned above, there is no specific study that has been directly achieved in the relationship between the quality of internal control and the quality of the audit report, particularly in developing countries. Thus, this study claims that the relationship between the various elements of internal control and audit quality is positive. This is because a strong internal control system is a prerequisite for the quality of the audit report as described in the previous studies mentioned above. Accordingly, it can be hypothesized that:

H1: There is a positive relationship between control environment, as a component of internal control system, and audit report quality .

H2: There is a positive relationship between risk assessment, as a component of internal control system, and audit report quality .

H3: There is a positive relationship between control activities, as a component of internal control system, and audit program effectiveness.

H4: There is a positive relationship between Information and communications, as a component of internal control system, and audit report quality .

H5: There is a positive relationship between the monitoring, as a component of internal control system, and audit program effectiveness.

Evaluation of the internal control system.

Internal control has different meanings. That is, it is difficult to give only one optimal definition of internal control. This is because it can be interpreted and viewed from different perspectives (Christina, Marianna and Christina, 2010). However, internal control is defined as a process that is influenced by the work of the Board and other levels of organizational structure and aims to provide reasonable assurance to achieve the Company's objectives and plans In recent times, large companies have gradually begun to include detailed management reports on the effectiveness and efficiency of internal control systems in their annual corporate reports as an indicator of the practice of governance of evil However, the evaluation of the internal control system is based mainly on the evaluation of the internal quality control of the target company at three main levels, including appropriate internal control, inadequate internal control, and a lack of internal control. Internal audit adequacy (Calota & Iana, 2009) The effectiveness of the Company's internal control system is recognized as a precondition for the audit as it is the primary determinant of the choice, timing and amount to which audit procedures should be applied or restricted (Terrell, 1974).

To best include the objectives of SOX, (SEC 2003) and (PCAOB AS 5) define internal control over financial statement as a process including policies and procedures to provide reasonable assurance regarding the reliability of financial reporting. The definition explicitly indicates that ICFR is intended to (i) Protecting institutional resources. (ii) Provide internal reviews and balances, and (iii) Ensuring the quality of financial reporting.

Internal control is a process affected by the Board of Directors, Administration and others individual that is reasonably designed to achieve the Corporation's objectives relating to operations, protection of assets from loss, preparation of reliable reports and compliance with laws. (AICPA, 2014), This definition reflects certain basic concepts:

- It is achieving objectives in categories, processes, reporting, and compliance.
- It is A process consisting of ongoing tasks and activities - a means to an end, not an end in itself.
- It is Influence by people.
- It is Able to provide reasonable assurance - but not absolute assurance.
- It is Flexible in entity application.

It is the responsibility of the management to establish a proper system of internal control. It is also its responsibility to maintain this system and to ensure the safety of its implementation. There is a legal obligation on the establishment to maintain regular accounts. It is not conceivable to have regular accounts without a proper system of internal control.

The internal control system has five stages to become as it is now: the stage of personal control, the stage of internal control, the stage of production efficiency, the stage of achieving the goals of the economic unit and the stage of achieving the specific goals.

Characteristics of the internal control system

There are many characteristics that contribute to the provision of effective and efficient control system as follows:

- The internal control system should be consistent with the nature and size of the institution's activity.
- Balancing the costs Provide the internal control system and benefits expected to flow to the facility from its application
- The clarity of the objectives and methods of control and indicators that are adopted when comparing the actual results and the clarity of the system of reporting deviations or imbalances when discovered.
- The means of control and standards used should be developed and modified to suit the changes of circumstances
- The internal control system should achieve its goal of preventing deviations and errors before they occur.
- The internal control system should be created when applying accurate, correct and immediate information about performance.

Types of internal control systems

There are five types of internal control system, which in turn increase the quality of external audit reports:

- Administrative control: is the organizational plan and means of coordination and procedures aimed at achieving the greatest possible efficiency of productivity
- Accounting control: is the organizational plan and accounting procedures for the preservation of assets and ensure the reliability of financial statements (Ranglin,2014).
- Financial control: is to ensure that the company's plans are implemented regularly and efficiently to achieve the objectives without excessive material, financial and human resources, to provide information that reflects the actual reality of the company's operational activities
- Internal control: It includes the organizational plan of separation of tasks, departments, processes and all means of coordination and transactions aimed at protecting the assets of the project from embezzlement, loss or misuse.

- Internal Audit: It is one of the supervisory tools aimed at examining the data and accounting records, verifying the validity of the classified data and expressing the financial position of the institution.

Auditor's responsibility for the evaluation of the control system:

Internal controls include the procedures and methods used by the management to achieve its objectives:

- Achieve targeted profitability and protect the assets
- and resources of the company Preparation of financial statements characterized by credibility and high confidence
- Compliance with the laws and regulations binding on the company.

The emergence of shareholding companies and holding companies with branches throughout the continents in the second decade of the last century increased attention to the internal control system in order to put adequate protection on the assets and properties of these companies to prevent theft and embezzlement and to obtain accurate financial data for use in operations Planning and decision-making where ownership is separated from the management of these companies.

The continued development of internal control has increased the external auditor's reliance on them. The results of the audit and evaluation of the internal control system determine the scope of the external auditor's examination.

Evaluation of the internal control system requires knowledge of the procedures and objective methods, ensuring that such procedures and methods are used as planned. The auditor should determine the appropriateness of the internal control system and whether the system is operating as planned.

The external auditor must ensure that the accounts and records are regularly organized Reflect the performance of the internal control system, Reports submitted to the Department should indicate how to operate and use different control methods, On the other hand, it is essential that the control system be subject to continuous inspection to determine its suitability under the operational conditions in force, Verify that it works as planned or not, This external auditing examines the different elements of the control system and makes sure that the above considerations are available, And that control methods work efficiently because this will provide him with the justification to determine the size of his tests.

Methods of evaluating the internal control system.

Proper assessment of the internal control system necessarily requires that the independent external auditor conduct a systematic and appropriate review of the system during its actual operation, Although most information on internal control will be obtained by asking questions and getting answers to them or by watching, However, it is desirable to provide a written audit and examination report for internal control and the results obtained from the audit process, This report shall be a valuable guide during the review and shall be of great importance after the end of the audit as a documentary evidence of the deficiencies discovered in the internal control system Steps to be followed in order to evaluate the internal control system of the institution.

- Initial examination
- Compliance and policy testing
- Basic tests
- Prepare a report.

The impact of internal control system on the quality of audit report

Since the auditor, relying on the optional examination of the accounting books and records and the documents supporting the financial operations, provides the auditor with insufficient information leading to some kind of uncertainty, this leads the auditor to make decisions, or to reach the wrong conclusions. It can be said that these erroneous decisions or conclusions take two distinct directions:

- The financial statements may be presented in a fair and express manner about the financial position and results of operations, and consistent with GAAP. However, these standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement; that they included auditing the accounting records and an optional examination of the documents supporting the amounts and information in the financial statements;
- The financial statements may not be presented fairly, or are not expressed in terms of financial position and results of operations, and / or inconsistent with the generally accepted accounting principles. However, the auditor incorrectly concludes that through his examination methodology, the financial statements are correct, and accordingly they issue a clean (unaudited) report on these financial statements. The first trend is called Alpha Risk, while the second trend is called Beta Risk. Both of these risks are present, even when using the statistical sampling method in the performance of the review and examination method.

It is noted that these two risks are the final outcome of the components of audit risk, which refer to one of these two risks (the final danger). Some report that these risks are not accurately measured, which in some cases leads the auditor to exert too little professional effort to control the risk in the audit process. In other cases, the auditor performs too much professional effort.

There is agreement among the users of the financial statements that there are many characteristics that must be available to a high degree in the audit report and these characteristics are as follows:

- Objectivity and impartiality.
- Easy to understand and clarify.
- Fit the report with the level of awareness of users.
- Flexibility to meet changes in the content of the report.
- Accuracy in judging the results of the company.
- Timely availability.

- Its reliance on objective and scientific criteria.

The audit process shall end with the audit report and the product notification to the parties concerned. Each report on the other shall vary according to the type of audit and the conditions of its preparation. Therefore, the word of Verification in the definition of audit is meant (the possibility of judging the validity of the final financial statements as a proper expression of the work of the project for a particular financial period. The importance of the disclosure and planning standard has been increased at the present time due to :

A - The auditor is dependent on internal control system at the time Audit process.

B. Increased reliance on the use of sampling methods.

C. Change audit methods and concepts, such as the use of continuous auditing

(D) Change in the graphical operating systems used in the audited enterprises.

Standards of Reporting

The auditor's report is the final product through which the results of the audit are communicated to the users of the financial statements, As the auditor's report plays a fundamental role When users make financial statements of decisions, Therefore, the standard of preparing the auditor's report have been divided into four criteria which the auditor is supposed to control when preparing the report These standards are based on the assumption that the fair and honest presentation of the financial statements is implicit in the use of generally accepted accounting principles The concept of honest and fair presentation includes other concepts such as adequate disclosure. Adequate disclosure means the accuracy and reliability of the financial statements in portraying the entity's financial resources as well as its timing at a given time, and changes in these resources and liabilities during.

- Presentation the Statements According to GAAP

The Standard stipulates that the auditor's report should indicate whether the financial statements have been prepared in accordance with generally accepted accounting principles.-

- Consistent Observation of GAAP

This standard makes the auditor indicate in his report the extent of consistency and homogeneity in the application Accounting Standards.

- Adequate Disclosure

It is not intended to provide sufficient disclosure only the type of information in the financial statements but also the presentation and classification of such information in the financial statements, as well as the terms used to express the elements in the financial statements.

- **Expression of Opinion**

his standard provides that the auditor verifies disclosure in the statements Financial is adequate, The auditor shall refer to this in his report only if the disclosure is reasonably inadequate The fourth standard provides for the preparation of the report However, the report should include the auditor's opinion of the financial statements as a unit, or an explanation of the reasons why such an expression cannot be expressed.

The forms of opinions expressed by the auditor are unqualified opinion, qualified opinion Disclaimer opinion and adverse opinion.

The impact of The components of the internal control system on audit report quality:

Control environment

Is the main aspect of the management of the company and is a reflection of the position and policies of that administration as important to the internal auditor in the economic unit and has authority over the objectives of the organization and is considered to be of great importance to the rest of the other components of the internal control system. It is defined as the set of regulatory procedures and policies applied by the organization or institution to ensure that such procedures and policies as determined by the Board of Directors are effectively implemented and the regulatory environment consists of several principles: compliance with integrity and ethical values, Management philosophy and operating style, defining the powers and responsibilities of individuals.

The control environment reflects management positions, their actions, behavior and the extent of their conviction of the internal control systems and attention to them and contains (Badara, saidin,2013):

Administrative thought and method of operation; it defines management style in dealing with operational and administrative processes. It measures management's ability to meet challenges and risks It also measures administrative methods Anti which adopt transparency and objectivity n the presentation of facts and reports thereon and contribute to the government officials to create a new and appropriate environment, Which adopts transparency and objectivity in the presentation of facts and report thereon and contribute to the governance officials to create a new and appropriate environment. On the other hand, when the above is not available in the administration, it cannot face the risks and tend To choose methods Fraudulent policies create fraudulent financial reports and this reflects the administration's lack of credibility in presenting the results and status of the business The auditor does not rely on these information because of the existence of a bad environment for control May adversely effect on the audit Report quality.

The behavioral framework of the employees: The human element is an integral part of the control environment and their behavior, motives, desires, personalities and moral ideas have a significant impact on the internal control systems, the availability of the human element with specific behavioral aspects contribute to the failure to follow fraudulent accounting methods and thus obtain a good control environment (McNally, 2014).

Control activities

The policies and procedures established by the institution to ensure the implementation of management directives, including the control activities of the organization and the review of the process of comparing the actual performance with the budgets. While others define it as a set of policies and procedures that help to ensure the implementation of management directives and provide a guarantee in taking the necessary steps to address all risks facing the organization (Mawanda, 2011).

These include approvals and licenses, checks, reconciliations, segregation of duties and other activities. Oversight activities consist of several principles outlined by (MC, 2014) according to the COSO Committee: Selection and development of activities for control, selection and development of general controls on technology, policies and procedures. Control activities contribute to restrict the opportunities of fraud and eliminate collusion with different parties and work to make comparisons between the actual inventory and what is restricted in the books of origin and also works to preserve the assets of the establishment and protect against theft and loss. the control activities Effectiveness and quality The mechanisms, procedures and regulatory policies must be developed for fear of obsolescence and to cope with the circumstances and changes surrounding the environment of the establishment (Edward ,2011).

Risk assessment

The reliance on an internal control system is efficient in dealing with and managing risks, Significant discrepancies in account numbers are largely prevented, This does not mean that there are no distortions and tampering But with little impact on the financial statements ,The availability of risk-mitigating mechanisms limits illegal management practices to report misleading earnings.

It Is an assessment activity performed by the management where the risks associated with the preparation of the financial statements are determined and analyzed in accordance with accounting standards and management determines the manner of responding to these risks in order to minimize their impact on the financial statements, It is defined as identifying and analyzing the risks that may face the objectives of the company, especially with regard to the information included in the financial statements and the compatibility of that information with the accepted accounting principle, while trying to maintain the management of limited levels of

Risk assessment consists of several principles, as follows (Mawanda, 2011):

- Identifying appropriate objectives by management and board of directors prior to commencement.
- Identifying and analyzing risks and dividing them according to their degree of impact.
- Identifying risks arising from fraud and fraud.

- Identifying and analyzing risks of importance.

Which are exposed to the institution The reliance on an internal control system is efficient in dealing with and managing risks, Significant discrepancies in account numbers are largely prevented, This does not mean that there are no distortions and tampering But with little impact on the financial statements, The availability of risk-mitigating mechanisms limits illegal management practices to report misleading earnings (Saidin,, 2013).

Information and communications

Information and communications are all the methods used to identify, compile and record the operations of the economic unit and to produce a comprehensive report of these operations. This is done by means of communication and exchange of information between those responsible for preparing these operations. Others are defined as the use of appropriate high-quality information to support internal control, exchange of information with internal and external parties, and information and communications consist of several principles articulated in accordance with the COSO Committee: use of relevant information and relevance, communication with internal and external parties (Saidin,, 2013). .

The monitoring

Defining is the periodic evaluation of the various components of the internal control system to determine whether they are functioning as required by ongoing monitoring and separate periodic assessments, and to determine the need for development and updating required to meet the new conditions. The control procedures are subject to obsolescence. It is defined as a process to assess the quality of the performance of the internal control system over time. It includes the activities of the permanent monitoring of the regular monitoring activities and the separate evaluations of the periodic review. The monitoring and control consists of several principles, Conduct continuous or separate assessments of the performance of the internal control system, and assess deficiencies in the performance of the internal control system (Ghanbarian, 2011).

The evaluation of the effectiveness of the internal control system is one of the functions of the external auditor in the institution. In order to obtain an effective and reliable internal control system, the scope and nature of the audits must be determined.

Since the internal audit has a role in providing reports relied on by the external auditor, it means that the process of maintaining the assets of the establishment and knowledge of the efficiency of the use of those funds, which are related to the stability and development of the establishment are the duties of the internal auditor.

While (Iulian ,Mihaela, 2012) explained that auditors play an important role in the institution and achieve a social function of giving opinion on the validity of the financial statements. Therefore, the composition of the audit committees was to review deficiencies or problems that led to poor confidence in the control system in joint stock companies Lack of credibility of the

financial statements, And the professional skepticism in the independence of the external auditor, which led to the emergence of cases of bankruptcy and financial failure.

The use of the audit report has become widespread in our time, because of its many advantages and benefits. The importance of this report has grown after the tremendous growth in the size of institutions, private and public, as well as non-profit, and the auditor shall express the results reached after the end of the audit process, through his report, which is the final product of the external audit process and tool or means of communication Through which the auditor can communicate the results of his review and evaluation of the evidence, express his impartial opinion about the validity and integrity of the presentation of the financial statements at the end of the year, and the results of operations, cash flows and changes in equity for the financial year to the stakeholders, whether they are parties to the entity Senior management levels or any external parties, such as current owners or investors and other users of the financial statements Who make many decisions based on the accounting information published in the financial statements and the report prepared by the auditor.

Finally, it is clear from the theoretical study that there is a positive effect of the components of the internal control system on the quality of the audit report through the positive influence of the components of the internal control system namely the control environment, control activities, risk identification, information and communication and monitoring, Professional organizations interested in auditing should therefore compel companies to design and implement an internal control system, And to oblige its members from auditors working in the audit market in Egypt to evaluate the internal control system in these companies and to submit a report to the management, highlighting the weaknesses of the system and proposing the necessary amendments to correct the system in order to be more powerful and accurate. This has an important impact on the quality of the audit process and Quality of independent audit report.

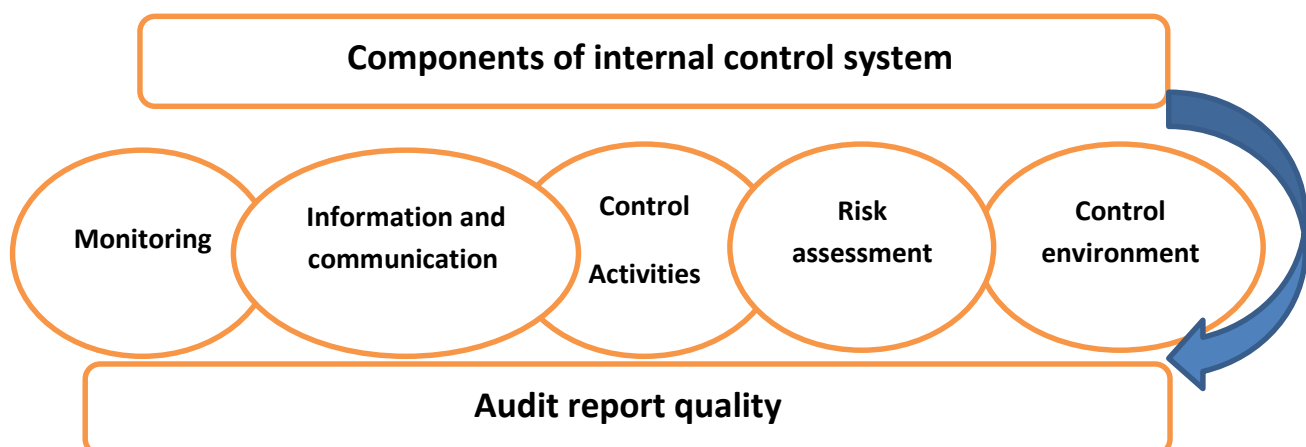


Figure 1: Conceptual model of components of internal control system and their impact on the quality of audit report.

STUDY METHODOLOGY

The questionnaire was designed as an important source for obtaining the data required for conducting the field study. A questionnaire was designed which begins with a descriptive introduction indicating the nature of the research and confirming the confidentiality of the answers, Five-point Likert scale was used in this study as it is very simple and clearer than other scales and it was used for scoring.

$$n = \frac{\frac{z^2 pq}{d^2}}{1 + \frac{1}{N} \left(\frac{z^2 pq}{d^2} - 1 \right)}$$

Technical Features of Research instrument:

The research community consists of external auditors accredited to the Egyptian Securities and Exchange Commission for 2012, and distributed (55) questionnaire to the external auditors and internal auditors, 40 of which were received, This yields a response rate of 72%, which is very good. However, the study tool was tested and edited several times before distribution. The respondents were invited to participate in the study through a covering letter attached to the first page of the questionnaire explaining the main purpose of the study. The questionnaire has six main sections with close-end questions. And the general information of the research sample can be presented in table (1)

Table1. Background Information of Participants

| Qualification | | Frequency | Percent |
|----------------------|--------------|------------------|----------------|
| Valid | Bachelor | 11 | 11.6 |
| | Diploma | 52 | 54.7 |
| | Master | 14 | 14.7 |
| | PhD | 13 | 13.7 |
| | Total | 90 | 94.7 |
| Missing System | | 5 | 5.3 |
| Total | | 95 | 100 |
| Degree field | | Frequency | Percent |
| Valid | accounting | 28 | 29.5 |
| | auditing | 50 | 52.6 |
| | finance | 12 | 12.6 |
| | Total | 90 | 94.7 |
| Missing System | | 5 | 5.3 |
| Total | | 95 | 100 |
| Experience | | Frequency | Percent |
| Valid | 5-1 | 20 | 21.1 |
| | 10-5 | 49 | 51.6 |
| | more than 10 | 21 | 22.1 |
| | Total | 90 | 94.7 |
| Missing System | | 5 | 5.3 |
| Total | | 95 | 100 |

Reliability of Research Tool

To achieve the objective of the present study, five items from previous studies (Johnston et al., 2011; Carajorgos et al., 2011) have been adapted to measure the quality of internal control. However, these elements represent five internal quality components: the control environment, risk assessment, information and communication, and monitoring and control activities. Regarding the dependent variable, the quality of the audit report, However, Alpha coefficient was calculated using following formula:

$$r_a = \frac{J}{J-1} \left(1 - \frac{\sum_{j=1}^n s_j^2}{S^2} \right)$$

Reliability analysis was performed for all study variables

Table 2 : Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|----------------------------------------------|------------|
| .967 | .973 | 6 |

Table 3 shows the descriptive analysis and reliability test result of the study variables. In particular, the result of reliability analysis indicates that all the study factors are reliable with satisfactory Cronbach alpha values of 0.968 for control environment factor, 0.961 for risk assessment, 0.964 for control activities, 0.955 for Information and communication, 0.955 for monitoring and communication and 0.961 for The Dependent factor of the study (Audit report quality).

Table3: Descriptive analysis and reliability test for the study's variables

| | Mean | S.D | Cronbach's Alpha |
|-------------------------------|--------|---------|------------------|
| Control environment | 3.9750 | 1.19400 | .968 |
| Control activities | 4.0313 | .87923 | .964 |
| risk assessment | 3.9750 | .97862 | .961 |
| Information and communication | 4.0563 | 1.15121 | .955 |
| monitoring | 4.2938 | 1.15316 | .955 |
| Audit report quality | 5.2750 | 1.49229 | .961 |

Data Analysis:

Tables 4 shows the descriptive statistics for the main items that used to measure the control environment. Table 5 shows the descriptive statistics for the second independent variable, namely control activities , Table 6 describe the risk assessment variable, Table 7 describe the information and communication variable and Table 8 describe the monitoring variable. In respect to the dependent variable, Table 8 shows the descriptive statistics for the five items that used to measure the variable.

Table (4) Results of the analysis of the views of the research sample on the impact of quality control environment on the audit report quality.

| Control environment | Mean | SD | Sig |
|-------------------------------------------------------------------------------------------------------|------|-------|------|
| - The Board of Directors is concerned with internal control reports | 3.98 | 1.230 | .000 |
| - Determine the standards of conduct and assess compliance with these standards | 4.00 | 1.301 | .000 |
| - The Audit Committee establishes the principle of control over the responsibilities of all employees | 3.90 | 1.277 | .000 |
| - Evaluating staff competencies and recording deficiencies in their performance. | 4.03 | 1.271 | .000 |
| Total | 3.97 | 1.015 | .000 |

Table 4 shows that the mean of the basic principles of the control environment is greater than (3), indicating that it has an effect on the quality of the external auditor's report from the point of view of the research sample .Principle (4) has the most impact on audit report quality from the point of view of the sample of the research, where the mean of his calculation (4, 03). Principle (3) had the least impact on the audit report quality from the point of view of the research sample, where the mean of the sample was (3.90). The opinion of the research sample was more consistent with the effect of Principle (2) on the quality of the external auditor's report, (1,301).

The total arithmetic mean of the basic principles of the control environment (3.97) from the point of view of the research sample is greater than (3), indicating that there is an effect of the quality control environment on the external auditor's report from the point of view of the research sample.

Table (5) presents the results obtained from the point of view of the research sample on the impact of the control activities as a component of the internal control system on the quality of the audit report quality in companies listed on the Egyptian Stock Exchange:

**Table 5. Descriptive statistics for control activities items
(One-Sample Statistics)**

| control activities | Mean | SD | Sig |
|----------------------------------------------------------------------------------------------------------|-------------|--------------|-------------|
| - The distribution of powers at various administrative levels contributes to improved control procedures | 4.08 | .829 | .000 |
| - Select and develop controls that reduce risks to a reasonable level | 4.05 | .876 | .000 |
| - The use of financial and administrative reports as a control tool | 4.03 | 1.074 | .000 |
| - The Department's interest in addressing complaints objectively and impartially | 4.08 | 1.095 | .000 |
| Total | 4.06 | 0.968 | .000 |

Table (5) shows that the mean of the basic principles of each control activities is greater than (3), indicating that it has an impact on the quality of the external auditor's report from the point of view of the research sample. Principle 4 had the most important impact on the quality of the audit report from the point of view of the sample of the research, where the mean (4, 08). Principle 3 had the least impact on the quality of the external auditor's report from the point of view of the research sample, with an mean of (4.03). The opinion of the sample was more consistent with the effect of Principle 1 on the quality of the audit report, with a standard deviation (0.829) The total average of the basic principles of control activities (4, 06) is greater than (3), indicating that there is an impact of the quality control activities on the report of the external auditor from the point of view of the research sample.

Table 6. Descriptive statistics for Risk assessment items

| Risk assessment | Mean | SD | Sig |
|-------------------------------------------------------------------------|--------------|--------------|-------------|
| - Risk analysis to determine how to manage it. | 3.95 | 1.085 | .000 |
| - Take the principle of cost and benefit when assessing risks. | 3.98 | 1.050 | .000 |
| - Identify changes that may affect the internal control system. | 4.00 | 1.013 | .000 |
| - The company's management puts quick procedures to deal with mistakes. | 3.98 | 1.074 | .000 |
| Total | 3.977 | 1.055 | .000 |

Table (6) shows that the mean of the basic principles of each risk assessment is greater than (3), indicating that it has an impact on the quality of the external auditor's report from the point

of view of the research sample. Principle 3 had the most important impact on the quality of the audit report from the point of view of the sample of the research, where the mean (4, 00). The two principles (2) and (4) also have a significant impact on the quality of the audit report, where the mean of each (3.98)& (3) on the quality of the audit report of, with a standard deviation of (1,013). The total of the mean Of the basic principles of risk assessment (3,977) from the point of view of the research sample, which is greater than (3), which indicates that there is an impact of risk assessment on the quality of the external auditor's report from the point of view of the research sample.

Table (7) presents the results obtained from the point of view of the research sample on the impact of information and communication on the quality of the audit report in companies listed on the Egyptian Stock Exchange.

Table 7. Descriptive statistics for information and communication items

| information and communication | Mean | SD | Sig |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|-------------|
| - The financial information system contributes to the Improvement of internal control procedure. | 3.83 | 1.217 | .000 |
| - Exchange of information with internal and external parties. | 3.93 | 1.207 | .000 |
| - The financial and operational information system Is safe from penetrations. | 4.20 | 1.203 | .000 |
| - The existence of effective communication channels to ensure that employees understand the policies and procedures related to the internal control system. | 4.28 | 1.219 | .000 |
| Total | 4.06 | 1.211 | .000 |

Table (7) shows that the mean of the basic principles of each information and communication is greater than (3), indicating that it has an impact on the audit report quality from the point of view of the research sample. Principle 4 had the most important impact on the quality of the audit report from the point of view of the sample of the research, where the mean (4, 28). Principle 1 had the least impact on the quality of the external auditor's report from the point of view of the research sample, with a mean of (3.83). The opinion of the sample was more consistent with the effect of Principle 3 on the quality of the audit report, with a standard deviation (1.203) The total mean of the basic principles of control activities (4, 06) is greater than (3), indicating that there is an impact of the quality information and communication on the audit report quality from the point of view of the research sample.

Table (8) presents the results obtained from the point of view of the research sample on the impact of monitoring on the quality of the audit report in companies listed in the Egyptian securities market:

Table 8. Descriptive statistics for Monitoring items

| Monitoring | Mean | SD | Sig |
|--------------------------------------------------------------------------------|------|-------|------|
| - The staff of the Internal Control Department is independent. | 4.33 | 1.185 | .000 |
| - Develop and implement the ongoing evaluation of internal control components. | 4.25 | 1.171 | .000 |
| - The evaluator has scientific qualification and long experience. | 4.30 | 1.224 | .000 |
| - Connecting defects to those responsible for corrective actions. | 4.30 | 1.224 | .000 |
| Total | 4.29 | 1.201 | .000 |

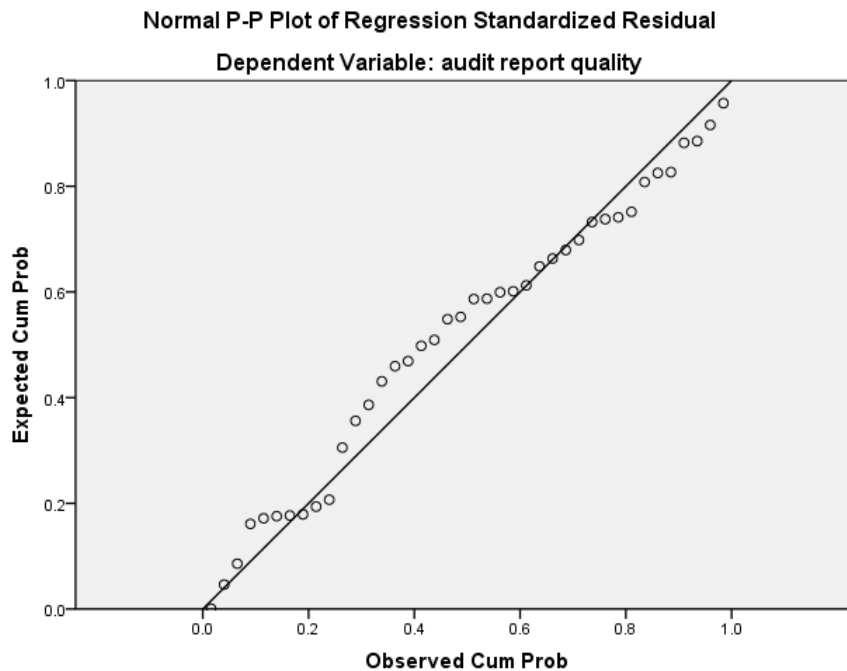
Table (8) shows that the mean of the basic principles of each monitoring is greater than (3), indicating that it has an impact on the audit report quality from the point of view of the research sample. Principle 1 had the most important impact on the quality of the audit report from the point of view of the sample of the research, where the mean (4, 33). Principle 2 had the least impact on the quality of the external auditor's report from the point of view of the research sample, with a mean of (4.25). The opinion of the sample was more consistent with the effect of Principle 2 on the quality of the audit report, with a standard deviation (1.171) The total mean of the basic principles of monitoring (4, 29) is greater than (3), indicating that there is an impact of the monitoring on the audit report quality from the point of view of the research sample.

**Table 9. Descriptive statistics for components of internal control system
And audit report quality**

| components of internal control system | Mean | SD | Sig |
|--------------------------------------------------------------------------------------------------|-------------|--------------|-------------|
| - The quality of the control environment increases The quality of the audit report. | 3.97 | 1.194 | .000 |
| - The quality of the control activities increases The quality of the audit report. | 4.03 | .879 | .000 |
| - The quality of the risk assessment increases The quality of the audit report. | 3.97 | .978 | .000 |
| - The quality of the information and communication increases the quality of the audit report. | 4.05 | 1.151 | .000 |
| - The quality of the monitoring increases the quality Of the audit report. | 4.29 | 1.153 | .000 |
| Total | 4.06 | 1.071 | .000 |

Table (9) shows that the mean of the components of internal control system is greater than (3), indicating that it has an effect on the audit report quality from the point of view of the research sample. Monitoring was the most influential in audit report quality from the point of view of the sample of the research, with a mean of (4.29). Control environment and risk assessment had the least impact on the assessment of the audit report quality from the point of view of the research sample, with mean of (3.97). The opinion of the sample was more consistent with the effect of control environment on the audit report quality (1.194) , The total mean of the five internal control components (4,06) from the point of view of the research sample is greater than (3), indicating that there is an effect of the five internal control components on the audit report quality from the point of view of the research sample.

Finally :The total mean of the five internal control components (4,07) from the point of view of the research sample is greater than (3), indicating that there is an effect of the five internal control components on the audit report quality from the point of view of the research sample.



RESULTS AND DISCUSSION

To achieve the objective of the present study and to test the relevant hypotheses, two tests were conducted. Pearson correlation analysis and multiple regression analysis. However, the Pearson correlation analysis is fundamental to the multiple regression analysis, and was conducted to assess the nature and direction of the relationship between the dependent variable and the independent variables, as well as the nature of the relationship between the variables of the study. Table 7 shows the Pearson correlation matrix for both the dependent variable and the independent variables. Results showed that a strong correlation ($r = 0.782$, $p < 0.01$) between the Control environment and the quality of audit report. On the other hand, the results showed a strong correlation ($r = 0.849$, $p < 0.01$) between the Control activities and the quality of audit report. the results showed a strong correlation ($r = 0.879$, $p < 0.01$) between the risk assessment and the quality of audit report, the results showed a strong correlation ($r = 0.932$, $p < 0.01$) between the information and communication and the quality of audit report. Similarly, the results indicate a strong significant correlation ($r = 0.942$, $p < 0.01$) between the monitoring and the quality of audit report. However, Table 7 shows that the results of the correlation matrix have high correlation values (Hart et al., 2006).

Table 10. Correlation Matrix (Pearson's)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| control environment | 1.000 | .843 | .778 | .789 | .785 | .782 |
| control activities | .843 | 1.000 | .826 | .871 | .852 | .849 |
| Risk assessment | .778 | .826 | 1.000 | .869 | .900 | .879 |
| information and communication | .789 | .871 | .869 | 1.000 | .952 | .932 |
| monitoring | .785 | .852 | .900 | .952 | 1.000 | .942 |
| audit report quality | .782 | .849 | .879 | .932 | .942 | 1.000 |

Despite that correlation analysis is very simple and subject to many limitations (Pallant, 2001), the results of it reported in Table 7 give us the basis to further investigate the relationship between the independent variables and the dependent variable through the following multiple regression.

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

Y = audit report quality;

X_1 = control environment;

X_2 = risk assessment;

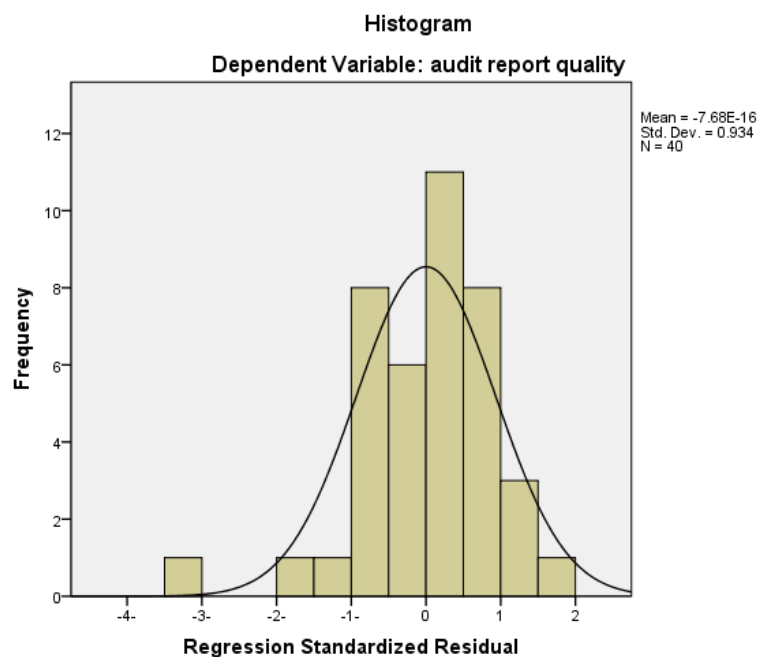
X_3 = control activities;

X_4 = information and communication;

X_5 = Monitoring;

α_0 = constant;

e = error term.



Testing Research Hypothesis:

Table 11 shows that the overall F statistic is statistically significant at the 0.000 level. R^2 indicates that the regression model explains 90.6% of the variance in audit program effectiveness with adjusted R^2 of 89.2%. This result gives an important indicator that the selected factors represent, to a considerable extent, the internal Control systems in Jordan.

Table 11. Result of regression analysis: internal control components and audit report

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|--------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | -.219 | .397 | | -.551 | .585 | | |
| monitoring | .602 | .253 | .465 | 2.378 | .023 | .072 | 13.824 |
| information and communication | .405 | .239 | .312 | 1.691 | .100 | .081 | 12.328 |
| Risk assessment | .180 | .193 | .118 | .935 | .357 | .173 | 5.777 |
| control activities | .104 | .215 | .061 | .482 | .633 | .173 | 5.784 |
| control environment | .033 | .128 | .027 | .261 | .796 | .266 | 3.764 |
| R | .952 | | | | | | |
| R^2 | .906 | | | | | | |
| Adjusted R^2 | .892 | | | | | | |
| F | 65.438 | | | | | | |
| Sig | .000 ^a | | | | | | |

a. Dependent Variable: audit report quality

The result of multiple regression as shown in Table 11 indicates that the relationship between control environment, as one of internal control system components, and audit report quality not significant (Beta = .027, t-value = .261, $p = 0.796$). Accordingly, H1 which stated that there is a positive relationship between control environment, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of control environment do not contribute significantly toward a quality of audit report in Egypt.

The result of multiple regression as shown in Table 11 indicates that the relationship between control activities, as one of internal control system components, and audit report quality not significant (Beta = 0.061, t-value = .482, $p = 0.633$). Accordingly, H2 which stated that there is

a positive relationship between control activities, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of control activities do not contribute significantly toward a quality of audit report in Egypt

The result of multiple regression as shown in Table 11 indicates that the relationship between Risk assessment, as one of internal control system components, and audit report quality not significant (Beta =0. 118, t-value =. 935, $p = 0.357$). Accordingly, H3 which stated that there is a positive relationship between control activities, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of Risk assessment do not contribute significantly toward a quality of audit report in Egypt

On the other hand, H4 which stated that there is a positive relationship between information and communication , as a component of internal control system, and audit report quality is supported at the 0.05 significance level (Beta =0. 312, t-value = 1.691, $p = 0.100$). This result indicates that the information and communication are contributed significantly toward audit report quality.

H5 which stated that there is a positive relationship between monitoring, as a component of internal control system, and audit report quality is supported at the 0.05 significance level (Beta =0.465, t-value = 2.378, $p = 0.023$). This result indicates that the monitoring is contributed significantly toward audit report quality.

Finally Table (11) shows the relation between components of the internal control system (control environment, control activities, Risk assessment, information and communication and monitoring) and the audit report quality. The results of the statistical analysis showed a statistically significant effect of the information and communication, monitoring on the quality of the audit report only. The justification of this result is built on the argument that the internal control systems in Egyptian companies is impaired and lacks the scientific current tools as most of these companies depends on old procedures in evaluation their internal control systems.

SUMMARY AND CONCLUSION

- 1- The research sought to answer the question "Does Quality of audit report Affected by component of Internal Control System??" The study results which were found from the questionnaire and interview respondents and The result of multiple regression indicates that:
 - The relationship between control environment, as one of internal control system components, and audit report quality not significant (Beta = .027, t-value = .261, $p = 0.796$). Accordingly, H1 which stated that there is a positive relationship between control environment, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of control environment do not contribute significantly toward a quality of audit report in Egypt.
 - That the relationship between control activities, as one of internal control system components, and audit report quality not significant (Beta =0.061, t-value = .482, $p = 0.633$). Accordingly, H2 which stated that there is a positive relationship between control

activities, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of control environment do not contribute significantly toward a quality of audit report in Egypt.

- The relationship between Risk assessment, as one of internal control system components, and audit report quality not significant (Beta =0.118, t-value =.935, p = 0.357). Accordingly, H3 which stated that there is a positive relationship between control activities, as a component of internal control system, and audit report quality, was not supported at the 0.05 significance level. Accordingly, the different perspectives of control environment do not contribute significantly toward a quality of audit report in Egypt.
 - On the other hand, H4 which stated that there is a positive relationship between information and communication, as a component of internal control system, and audit report quality is supported at the 0.05 significance level (Beta =0.312, t-value = 1.691, p = 0.100). This result indicates that the information and communication are contributed significantly toward audit report quality.
 - H5 which stated that there is a positive relationship between monitoring, as a component of internal control system, and audit report quality is supported at the 0.05 significance level (Beta =0.465, t-value = 2.378, p = 0.023). This result indicates that the monitoring is contributed significantly toward audit report quality.
- 2- Based on a questionnaire survey mailed to the external and internal auditor in Egyptian listed firms, the results indicate that internal control in Egyptian public institutions suffers from many problems. These include, for example, the lack of qualified staff, the absence of main elements of internal control systems, and the inability to use the necessary technical tools in internal control and the absence of professional staff in the Professional category. Finally, the results indicate that there is a weak level of interaction between internal and external audit in Egyptian firm.
- 3- The main role of managers makes all employees Committed to developing internal control systems through interaction and training. Thus, staff participation Through direct participation in the design and control of the internal control unit of the Organization Phase-setting process is very effective. In addition, it should be noted that internal controls do not guarantee the success of economic unity and internal control is not a solution to all potential problems

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