THE IMPACT OF ACCOUNTING INFORMATION SYSTEMS (AIS) ON PERFORMANCE MEASURES WITH VALUE RELEVANCE OF AUDITORS' COMMUNICATIONS

Emadeldin Mahmoud Ali Eid, PhD.
Alzarka High Institute for Computer & Business Administration
Damietta, EGYPT.
Emadeid1973@hotmail.com

Abstract
The auditor's report the final outcome of the audit process and also is a way of communication linking the auditor with parties benefiting from the audit process, due to the importance of the report came the idea of doing research addresses the role of the auditor's report in narrowing the gap of expectation between auditors and users of accounting information systems and diagnose cons of this report is to shorten the expectation gap between auditors and accounting information systems.

1. Introduction

Accounting Information Systems (AIS) are a tool which, when incorporated into the field of Information and Technology systems (IT), were designed to help in the management and control of topics related to firms' economic-financial area. But the stunning advance in technology has opened up the possibility of generating and using accounting information from a strategic viewpoint. Since this is important for all firms, it is more important even for medium-sized and small ones which need this information to deal with a higher degree of uncertainty in the competitive market (El Louadi, 1998). Thus, they need to improve their systems and data processing capacity to match their information needs (Van de Ven and Drazin, 1985) investing in staff training, improving the quality of products and internal processes and increasing AIS investment. As information and communications technologies cover a wide range and include all the areas in which a firm acts, this research work has focused on a specific part of them, the accounting information systems (AIS) to show that computerized accounting tools are directly related to the economic and financial results and productivity in small and medium-sized business organizations. AIS are systems used to record the financial transactions of a business or organization. This system combines the methodologies, controls and accounting techniques with the technology of the IT industry: user interface, computers and sophisticated software. The software used to track transactions provides internal reporting data, external reporting data, financial statements, and trend analysis capabilities.

1.1 Background

Financial accounting

Financial accounting is a process involving the collection and processing of financial information to assist in the making of various decisions by many parties external to the organization (Deegan and Unerman, 2006, 32).

The process of financial accounting leads to the generation of financial reports: financial statements. The principal classes of users of financial statements (financial statement users) are investors, bank lenders, trade creditors, employees, financial analysts, governments and the public.

The International Accounting Standards Board (IASB), an independent accounting standard-setter, published a *'Framework for the preparation and presentation of financial statements'* (the Framework). The main objective of the Framework is to create a sound foundation for future accounting standards that are principles-based, internally consistent, and internationally converged.

Auditing and the audit report

In a decision-making process, decision makers rely upon information, financial statements, as prepared and presented by the management of an entity. The possibility that the information upon decided on is inaccurate is called the 'information risk'.

Elder et al. (2006, 9) state that the most common way for users to obtain reliable information (reducing the information risk) is to have an independent audit performed. To enhance the degree of confidence of the intended users in the financial statements, a financial statement audit will be conducted. Decision makers use the audited information on the assumption that it is reasonably complete, accurate, and unbiased.

Based on an audit, an audit report will be issued. The audit report represents the auditor's communications of findings to financial statement users. The audit report contains information about the audit, including its scope, and an opinion regarding the fair presentation of the financial statements.

Value relevance audit report

Financial statement users rely on the auditor's report to provide assurance on the company's financial statements. One important question hence is whether auditor communications communicate the appropriate information. Is the audit report effective in communicating important information about, for example the audit process, the auditor's duties and 'going concern' or do investors need more (better) information to facilitate their investment decisions?

Concerning the information content and the effectiveness of the auditors' communications, several studies already have explored. Various shortcomings of the audit report have presumed and, to address the perceived shortcomings through all years, several solutions have proposed. For example AICPA 1978, Porter 1993, Hermanson et al. 1991, Gay and Schelluch 1993, Manson and Zaman 2001, Porter et al. 2006 etc.

Accounting information system (AIS) and performance measures existing literature offers scant evidence of the relationship between these AIS and performance measures; though it is important to highlight the study made by Ismail and King (2005) which discovered a positive association between AIS alignment and SME strategy and performance measures. In posits an indirect relationship between AIS and firms' performance via the varying strategies that may be adopted by companies. Thanks to investment in AIS, the scope for action is expanded, thus providing time saving in trips to and dealings with banks, the Administration, etc. This reduces firms' costs. Productivity increases when these innovations are properly used. Insofar as a firm's culture is open to the introduction of new accounting information systems this will lead to a more holistic view of it and make for greater flexibility and dynamism in organizational search for improved results.

1.2 Objectives

The purpose of this research is to investigate the value relevance of the auditors' communications. 'Value relevance' implies the ability of auditors' communications, i.e., the audit report, in communicating effectively about the audit process, the responsibilities of the auditor, the nature of assurances provided by the auditor and other items, which could be important in a decision-making process for Accounting information system.

1.3 Problem definition

What is the value relevance of the auditors' communications, i.e., does the audit report enhance the financial statement users' understanding of the auditor's duties, the audit process, assurances provided and other important topics, or is additional and / or other information required in facilitating a decision-making process in accounting information system?
In order to realize an answer to the main research question, the following sub questions need to be answered:

- Does AIS play an important role in planning the firm's strategies?
- How long have you been doing your accounting with a computer program?
- Does computerized accounting AIS allow you to manage your cash position with banks?
- Does AIS allow you to manage your fiscal affairs with Government bodies?
- Do you think that the organization and administration in your firm have improved since using AIS
- What is the purpose of performing audit and assurance services, and concerning the audit?

- Which theoretical explanations underlie the demand?
- What is the purpose of issuing an audit report?
- Which research method is most suitable to investigate the value relevance of auditors' communications?
- When comparing the output of different classes of financial statement users, which differences exist?

1.4 Methodology

The problem in this research could best defined as an explanatory problem. The purpose of the research is to establish and to demonstrate the causal character of the association between the form and the content of the auditors' communications and users' understanding of certain topics, like the audit process, auditors' duties, assurances, going concern, to improve Accounting information system. In light of the research problem, objectives and importance has to relay Search:

1- **Inductive approach** to study and extrapolation of literature on the locus of research and extending benefit.
2- **Deductive approach**, which relies on deductive reasoning transferred to the link between the different aspects of the research problem.

Different classes of financial statement users will be involved in this research. In this research, the 'financial statement users' are institutional investors, bank lenders, and financial analysts. These user groups have different approaches in processing information and making economic decisions and consequently will use and analyze the audit report in a different manner.

2. Theoretical framework for auditing

Provides an overview of the existing, explaining theories on accounting and auditing, auditing theory helps explain why society needs auditing: the role and purpose of audit services in communication between a company and its environment.

2.1.1 Theories of auditing

This paragraph presents some of the theories on the demand concerning auditing. The agency theory is the most prominent of the existing theories. Less significant audit theories are the 'policeman theory' and the 'lending credibility theory'.

The policeman theory claims that an auditor is responsible for searching, discovering, and preventing fraud. The focus of the audit however, has moved towards the verification of the truth and the fairness of the financial statements and the provision of reasonable assurance. The policeman theory is not able to explain fully the role and the purpose of auditing.

According to the lending credibility theory, the primary function of the audit is to add credibility to the financial statements. Audited financial statements increase the financial statement users' confidence in the financial figures and the faith in management's stewardship. The lending credibility does not explain other functions of performing audit services; this theory is limited in explanatory power.

2.1.2 Limperg's Theory of Inspired Confidence

In 'The PCAOB and the social responsibility of the auditor' (2004), D.R. Carmichael; chief auditor at the Public Company Accounting Oversight Board (PCAOB), comments the social responsibility of the independent auditor and the possible mechanisms for ensuring that audits meet society's needs. Carmichael focuses on the role of the PCAOB and its performances in restoring the confidence of investors in the independent auditors of public companies.

According to Carmichael (2004, 129), the principles of Limperg's theory are especially relevant in this phase of the development of the audit function. "We have a particular need in our current environment to try to understand and to appreciate the social significance of auditing and the implications concerning in which way an audit should be performed."

The Theory of Inspired Confidence connects the community's needs for reliability of financial information to the ability of audit techniques to meet these needs, and it stresses the development of the needs of the community and the techniques of auditing in the course of time (Limperg Institute, 1985, 3).

2.1.3 The information theory

As described in the 'agency theory', financial reporting is central to monitoring purposes. An alternative or complement to the monitoring principle is the information principle, focusing on the provision of information to enable users to take economic decisions.

Investors require audited financial information on behalf of their investment decision-making and assessing of expected returns and risks. Investors value the audit as a means of improving the quality of financial information.

An audit is also valued as a means of improving the financial data used in internal decision- making. Data that are more accurate will improve the internal decision-making.

2.1.4 The insurance theory

The insurance theory is a more recent explanation for the demand for the role of the audit, that is, the ability to shift responsibility for reported data to auditors lowers the expected loss from litigation to managers, creditors, and other professionals involved in the securities market (Cosserat, 2006, 44). When using audit services, managers and other professionals can demonstrate that they exercised reasonable care.

2.1.5 The agency theory

In 'Theory of the firm: managerial behavior, agency costs and ownership structure' (1976, 306), M.C. Jensen and W.H. Meckling refer to the firm being a 'black box', operated so as to meet relevant marginal conditions with respect to inputs and outputs, thereby maximizing profits, i.e., present value. The authors signaled that no theory exists, explaining the way in which the conflicting objectives of individual participants will brought into equilibrium to succeed in value maximization.

2.1.6 The assurance theory

An assurance service is a service in which a public accountant expresses a conclusion about the reliability of a written assertion that is the responsibility of another party (Cosserat, 2006, 20). Elder et al. (2006, 8) define an assurance service as an independent professional service that improves the quality of information for decision makers. Individuals responsible for making business decisions seek assurance services to help improve the reliability and relevance of the information used as the basis for their decisions.

Following Elder et al. (2006, 9), one category of assurance services provided by auditors is 'attestation services'. Performing attestation services, the auditor issues a report about the reliability of an assertion used by another party. Five categories of attestation services are distinguished:

Audit of historical financial statements

An audit of historical financial statements is a form of attestation service in which the auditor issues a written report expressing an opinion about whether the financial statements are fairly stated in accordance with the applicable accounting standards. Financial statement users value the auditor's assurance because of the auditor's independence from the client and knowledge of financial statement reporting matters.

Audit of internal control over financial reporting

An audit of internal control over financial reporting is a form of attestation service in which the auditor evaluates management's assertion that internal controls have been developed and implemented following well-established criteria. The auditor's evaluation increases user confidence about future financial reporting, because effective internal controls reduce the likelihood of future misstatements in the financial statements.

Review of historical financial statements

Performing an audit of historical financial statements, the auditor provides a high level of assurance. For reviews of financial statements, the auditor provides only a moderate level of assurance. Because less evidence will needed, reviews of financial statements can be performed at a lower fee than an audit.

Attestation services on information technology
Performing attestation services on information technology, the auditor evaluates management's assertions about the reliability and security of electronic information.

Other attestation services that may apply to a broad range of subject matter
Numerous of other attestation services can be performed. In each case, management must provide an assertion before the auditor can provide the attestation

2.2 Other theories

In this paragraph, the Positive Accounting Theory (PAT) and the legitimacy theory will be commented. PAT and legitimacy theory do not necessarily explain the demand concerning auditing. These accounting theories however, underlie the practice of financial accounting and consequently are valuable in understanding the demand for and provision of financial accounting information and the interests and behavior of different parties. In addition, this paragraph presents a description of the stewardship theory.

2.2.1 Positive Accounting Theory (PAT)

In *'Towards a Positive Theory of the Determination of Accounting Standards'* (1978), Watts and Zimmerman seek to develop a positive theory of the determination of accounting standards. "Such a theory will help us to understand better the source of the pressures driving the accounting standard-setting process, the effects of various accounting standards on different groups of individuals and the allocation of resources, and why various groups are willing to expend resources trying to affect the standard-setting process" (Watts and Zimmerman, 1978, 112).

According to Watts and Zimmerman (1990), Positive Accounting Theory (PAT) is concerned with explaining accounting practice. It has designed to explain and predict which firms will and which firms will not use a particular method.

PAT focuses on the relationship between the various individuals involved in providing resources to an organization and in which way accounting can assist in the functioning of these relationships (Deegan and Unerman, 2006, 207). PAT is based on the central assumption that all individuals' action is driven by self-interest and that individuals will always act in an opportunistic manner to the extent that the actions will increase their wealth.

2.2.2 Legitimacy theory

According to Deegan and Unerman (2006, 271), legitimacy theory asserts that organizations continually seek to ensure that they are perceived as operating within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being 'legitimate'.

Legitimacy theory relies upon the conception of a 'social contract' between the organization and the society in which it operates. "The concept is used to represent the multitude of implicit and explicit expectations that society has about in which way the organization should conduct its operations" (Deegan and Unerman, 2006, 271).

2.2.3 Stewardship theory

According to Donaldson and Davis (1991, 51), stewardship theory holds that there is no inherent, general problem of executive motivation. "The executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets.

3. The contents of auditing and the audit report

This chapter introduces auditing and assurance services and discusses types of audit reports and the development of the standard audit report. This chapter includes a description of the form and the content of the audit report and presents the main criticisms concerning the standard audit report.

3.1 Auditing and assurance services

This paragraph introduces the nature and content of performing auditing and assurance services and describes the types of audit services. In addition, this chapter briefly discusses the audit process and attends to the European Commission Green Paper on Audit Policy.

3.1.1 Introduction to auditing and assurance services

Concerning economic decisions, decision makers like investors, creditors, financial institutions, and analysts rely on financial accounting information. Financial information is useful if it helps users in their decision-making.

Financial accounting information provides information on behalf of the user's economic decision-making. Financial reporting furthermore helps investors predict future cash flows. Investors use disclosed and undisclosed information to produce estimates of future cash flows. At last, financial reporting provides information on the company's economic resources, obligations and the effect of economic transactions on the existence of resources and obligations.

Publication of financial accounting information does not solve the 'agency problem', which is due to the information asymmetry and due to the conflicts of interest. Because the management is responsible for the financial reporting and in addition has a position to exercise discretion, a risk exists that the information is inaccurate, the 'information risk'.

Information asymmetry causes a need for an independent intermediary, the auditor, to verify and provide assurance of financial accounting reports, prepared by management. The role of the audit is to reinforce trust and confidence in financial reporting. Auditing can be qualified as a social control mechanism in securing the stewardship and the accountability of the agent.

The demand for auditing in addition can be attributed to users' needs of reliable information and the consequences of users' erroneous decision when dealing with inaccurate information. The audit function adds to the credibility of the financial statements and, consequently, users create decisions that are more accurate.

Accounting and reporting practices become more and more complex. To evaluate the quality of financial statements, a thorough understanding of accounting and reporting practices and business processes governance practices is required. Most financial statement users are not enough knowledgeable to fully understand financial reports, neither to detect errors. The auditor is hired to provide users an assessment of the quality of the information.

Financial statement users do not have direct access to the accounting records from which financial statements are prepared. Due to this remoteness, users are restricted from 'auditing' the financial statements themselves and consequently have to rely on the auditors' services that assist them in assessing the quality of financial information.

Elder et al. (2006, 9) state that the most common way for users to obtain reliable information is to have an independent audit performed. Decision makers use the audited information on the assumption that it is reasonably complete, accurate, and unbiased.

The audit or review of historical financial statements is one example of an assurance service; a service in which a public accountant expresses a conclusion about the reliability of a written assertion that is the responsibility of another party (Cosserat, 2006, 20).

Individuals responsible for making economic decisions seek assurance services to help improve the reliability and relevance of the information used as the basis for their decisions. Some other categories of assurance services are the attestation on internal control over financial reporting and assurance services on information technology.

3.1.2 Audit services

Elder et al. (2006, 4) report the next definition of auditing: "Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent person."

Major types of audits conducted by external auditors include the audit of financial statements, the operational audit, and the compliance audit. A financial statement audit examines financial statements, records, and related operations to ascertain adherence to generally accepted accounting principles. In determining whether the financial statement information is true and fair (in accordance with

GAAP), the auditor gathers and evaluates evidence on which he finally bases his opinion.

An operational audit examines an organization's activities and procedures in order to assess performances and develop recommendations for improved use of business resources. A compliance audit is conducted to determine whether an organization is following established procedures or rules, for example laws and regulations and internal procedures.

3.1.3 The audit process

The audit process has four specific phases. In 'planning and designing an audit approach' (phase I), the client's business strategies and processes are studied. The auditor assesses the risk of misstatements in financial statements, and evaluates internal controls and their effectiveness (Elder et al., 2006, 162).

3.2 Introduction to the audit report

Throughout the world differences exist concerning the form and content of standard audit reports, for example those related to jurisdiction-specific reporting requirements, such as language and the level of detail in describing the responsibilities of management and the auditor. The primary objective of audit reports however, is relatively uniform: "to express clearly the auditor's opinion on the financial statements and to describe the basis for that opinion" (IOSCO, 2006, 7).

According to Elder et al. (2006, 56), materiality is an essential consideration in determining the appropriate type of report for a given set of circumstances. Deciding on actual materiality in a given situation however, is a difficult judgment. "A misstatement in the financial statements can be considered material if knowledge of the misstatement would affect a decision of a reasonable user of the statements".

Standard unqualified

When the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles (GAAP), the auditor will issue a standard unqualified audit report.

Unqualified with an explanatory paragraph with modified wording

An unqualified audit report with an explanatory paragraph or with modified wording will be issued when all criteria for an unqualified report have satisfactorily met, but the auditor believes it is important or is required to provide additional information.

Examples of situations in which an explanatory paragraph will be added:

- lack of consistent application of generally accepted accounting principles;
- substantial doubt about going concern;
- emphasis of a matter;
- reports involving other auditors.

Qualified

A qualified report will be issued when the auditor encountered situations that do not comply with generally accepted accounting principles, a qualification of the opinion, or when the scope of the audit has been restricted, a qualification of both the scope and the opinion.

A qualified report is issued when the auditor concludes that the financial statements overall are fairly presented.

Adverse or disclaimer

An adverse opinion will be issued when the auditor determines that the financial statements are materially misstated and, as a whole, do not provide a true and fair view of the financial position and results of operations in conformity with GAAP.

A disclaimer of opinion will be issued when the auditor could not affect an opinion on the financial statements. The disclaimer of opinion report will be supplied when lack of independence exists between the auditor and the audited or when a severe limitation of scope exists. In addition, the auditor can issue a disclaimer of opinion concerning a going concern problem.

3.3 Development standard audit report

Once the audit of an issuer's set of financial statements is completed, the auditor issues a report, which contains information about the audit, including its scope, and an opinion regarding the fair presentation of the financial statements (IOSCO, 2006, 3). The standard audit report is the primary means by which auditors communicate to users of financial statements regarding their audits.

The standard format currently used in 24 Member States of the European Union is ISA 700, *'Forming an Opinion and Reporting on Financial Statements.*

In developing its standard audit report (2004), the International Auditing and Assurance Standards Board (IAASB) intended to increase the understandability of the auditor's role and of the auditor's report. The understandability of the auditor's report should be improved by using simple language and being concise, while still aiming to be informative (IOSCO, 2006, 4).

The new form audit report contains the heading: 'independent auditor's report' (controleverklaring van de onafhankelijke accountant). The addition of the word 'independent' affirms that the auditor has met all of the ethical requirements regarding independence and, consequently, distinguishes the independent auditor's report from reports issued by others.

3.4 Form and contents standard audit report

ISA 700 requires from the audit report to give explicit information concerning the auditor's responsibility and to express an opinion on the financial statements based on the conducted audit. Included in the auditor's responsibility section is an explanation of the audit procedures and scope to ensure the user understands the extent and scope of an audit.

Following ISA 700, *'Forming an Opinion and Reporting on Financial Statements'* (IFAC, 2006, 658) the form and content of an audit report (audit report for audits conducted in accordance with ISA) is as follows:

Title
The audit report has a title that clearly indicates that it is the report of an independent auditor.

Addressee
The audit report has addressed as required by the circumstances of the engagement.

Introductory paragraph
The introductory paragraph in the audit report:
a) identifies the entity whose financial statements have been audited;
b) states that the financial statements have been audited;
c) identifies the title of each statement that comprises the financial statements, for example a balance sheet, an income statement, a statement of changes in equity and a cash flow statement;
d) refers to the summary of significant accounting policies and other explanatory information; and
e) comprising the financial statements specifies the date or period covered by each financial statement comprising the financial statements.

Management's responsibility for the financial statements
This section of the audit report describes the responsibilities of those in the organization that are responsible for the preparation of financial statements. The audit report uses the term, for example 'management' or 'those charged with governance', that is appropriate in the context of a particular legal framework.
The audit report describes management's responsibility for the preparation of the financial statements: 'the preparation and fair presentation of financial statements'. The description includes an explanation that management is responsible for the preparation of the financial statements in accordance with the applicable reporting framework, and for such internal control as it is necessary to enable the preparation of financial statements that are free from material misstatement.

Auditor's responsibility
The audit report states that the responsibility of the auditor is to express an opinion on the financial statements based on the audit and refers to the conduction of the audit in accordance with International Standards on Auditing (ISA).

The audit report explains that the auditor is required to comply with ethical requirements and that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's opinion
Expressing an unmodified opinion on the financial statements, the auditor's opinion is that the financial statements are prepared, in all material aspects, in accordance with [the applicable reporting framework]. If the reference to the applicable reporting framework is no to International Financial Reporting Standards (IFRS), the auditor's opinion identifies the jurisdiction of origin of the framework.

Other reporting responsibilities
If the auditor addresses other reporting responsibilities in the audit report on the financial statements, these other reporting responsibilities need to be addressed in a separate section in the audit report.

Signature of the auditor
The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction.

Date of the audit report
The audit report is dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements.

Auditor's address
The audit report names the location in the jurisdiction where the auditor practices.

4. Value relevance standard audit report

Proposed changes to the standard audit report particularly involved the education of financial statement users about the audit process and the responsibilities of management and the auditor for the financial statements. The exposure draft attracted a high volume of response from financial statement users as well as auditors and their clients and encountered significant opposition.

Statements, the nature of assurance provided for accounting estimates, and content in the auditor's report have changed very little. Without revisions to the audit report, and the financial reporting models, the expectation gap will keep increasing.

The International Federation of Accountants
The IFAC notes some additional areas where stakeholder awareness could be enhanced:

- A greater understanding of the role of the auditor and the implications of the auditor's work;
- Enhanced disclosure about critical areas of risk which may occur in discussions between the auditor and the audit committee;
- The criteria used by audit committees and boards for selecting an auditor;

- A greater understanding of the various communications by the auditor beyond the auditor's report (e.g., more comprehensive and detailed communication to those charged with governance).

5. Questionnaire design and data analysis

In examining respondents' opinions and interpretations regarding messages in the audit report, survey research is the most applicable research strategy. A mail survey (e-mail survey) will be performed in which questionnaires will be used to elicit information from sample items.

Following Swanborn (2006, 119), response size depends on the object of research in relation to the target group and the efforts of the researcher to acquire as large a response as possible. "With face-to-face and mail surveys, in several countries the response varies between 25% and 50%. No remarkable differences exist between paper-and-pencil and computer versions."

6. *Conclusions*

A recapitulation of the research, and provides an answer to the main research question. The research results are compared with the results of prior research.

The financial audit role, as an independent examination and expression of opinion on the financial statements of an entity, is to report on the truth and fairness of the financial statements on behalf of their users. When reporting that the financial statements present a true and fair view in accordance with the relevant financial reporting framework, auditors provide 'reasonable assurance' that the financial statements as a whole are free from material misstatement, whether due to fraud or error from software based on Accounting information system.

Auditors seek to minimize the risk that historical financial information, presented in compliance with an accounting framework, is materially misstated.

The results reveal that the greater part of the respondents do agree that the audit report enhances the credibility of the financial statements. In addition, respondents believe that the purpose of the audit is clearly communicated in the audit report. Respondents support the effectiveness of the audit report in communicating on audit procedures and the application of auditing standards.

From this, it could be concluded that the respondents support the value relevance of the audit report. The audit report clearly communicates the role and the purpose of the audit. The respondents are less familiar with the concept of 'professional judgment'. The greater part of the respondents does not understand the role of judgment in the formation of an audit opinion from software.

7. Recommendations

Considering the limitations of this research, in order to effectively investigate the financial statement users' understanding of the audit report, and the effectiveness of the audit report in communicating on the audit process, the auditor's responsibilities, and the nature of assurances provided, further research should be performed

1. Applied Audit Manual world in Egypt and the countries of the European your study and evaluation of internal control systems.
2. Must study and analysis of the influential factors in the risk assessment inherited.
3. Rewrite Local Audit Manual to keep pace with the international standard Walt.
4. The need to unify and requirements of the laws and regulations and unified accounting system.
5. Must improve the communications with users of the financial statements in order to sensitize them to the correct expectations.
6. Organizations must examine the professional accounting standards in order to implement the scope of accounting alternatives which Directors can choose from.
7. Professional organizations should expand the responsibilities of auditors relating to the discovery of errors and fraud from software.

8. References

American Institute of Certified Public Accountants (AICPA) (1978), Report Conclusions and Recommendations of the Commission on Auditor's Responsibilities (Cohen Commission), *(New York: AICPA, 1978)*

APB (2006), ISA (UK and Ireland) 700 (revised); The auditor's report on financial statements, *http://www.frc.org.uk/*

Audit quality (2005), Agency theory and the role of audit, *The Institute of Chartered Accountants in England and Wales (ICAEW)*.

Communication & Information Resource Centre Administrator (CIRCA), *http://circa.europa.eu/Public/irc/markt/markt_consultations/library?l=/abschlussp rfung/lessons_crisis_2006/audit_profession&vm=detailed&sb=Title*

Commission on Auditors' Responsibilities (Cohen Commission) (1978), Report, conclusions and recommendations, *American Institute of Certified Public Accountants, New York*

European Commission (2006), Summary of responses Green paper, Audit Policy: Lessons from the Crisis, *http://ec.europa.eu/internal_market/consultations/docs/2006/audit/summary_respo nses_en.pdf*

Gold, A., U. Gronewold, and C. Pott (2006), Financial Statement Users' Perceptions of the IAASB's ISA 700 Unqualified Auditor's Report in Germany and the Netherlands, *http://web.ifac.org/download/*

IASB (2005), Framework for the preparation and presentation of financial statements (Framework), *in: International Financial Reporting Standards (IFRSs), United Kingdom: IASCF*

IAASB (2004), Project history: the independent auditor's report on a complete set of general purpose financial statements - completed, *http://www.ifac.org/*

IFAC (2006), International Standard on Auditing 700, forming an opinion and reporting on financial statements, *http://web.ifac.org/download/a036-2006-iaasb-handbook-isa-700.pdf*

ICAEW (2006), Auditor reporting paper, *http://www.icaew.co.uk/*

Schelluch, P. and G. Gay (2006), Assurance provided by auditors' reports on prospective financial information: implications for the expectation gap, *Accounting and Finance*, Vol. 46.