Does corporate governance assurance decrease the agency conflict? The role of auditor opinion: Evidence from an emerging market

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Does corporate governance assurance decrease the agency conflict? The role of auditor opinion: Evidence from an emerging market

Dr. Mostafa Kayed Abdelazeem Mohamed

Abstract:

- **Objective:** This paper aims to examine the impact of corporate governance (CG) internal mechanisms on the external auditor opinion regarding the assurance of corporate governance report
- **Design and Methodology:** The sample used in the current research incorporates all companies listed in EGX from the period 2018 till 2020. The final sample comprises all corporate governance reports, management reports and auditors' reports in the covered period with 550 observations. Statistical analysis is performed using multivariate regression through performing logistic regression as it fits the dichotomous dependent variable.
- **Findings and Recommendations**: The results revealed a positive significant relationship between audit committee existence, audit committee independence and auditors' opinion. Further, CEO rule duality and executives in audit committee were found to have negative insignificant impact on auditor opinion. Finally, board independence was found to have positive insignificant impact on auditors' opinion. Future research can focus on the impact of the auditor report on CG on stock prices and the cost of capital.
- **Originality and Value**: To the best of author knowledge, the current research represents an early attempt to investigate the impact of corporate governance internal, mechanisms and its impact on auditors' opinion. This contribution extends and enrich the existing corporate governance and auditing literature.

Keywords Corporate governance, auditor opinion, audit committee, board governance, emerging market, Egypt

1. Introduction

This study examines the effect of corporate governance internal mechanisms on the external auditor opinion regarding the assurance of corporate governance report (Hereafter CGR). The financial scandals that encountered the global economy over the last twenty-five years led to the erosion of investors' confidence, financial losses, and even the collapse of firms (Samaha *et al.*, 2012). These scandals shed the lights on the fraudulent financial practices and lack of non-financial disclosures (Dhaliwal *et al.*, 2012; Orens and Lybaert, 2007; Vanstraelen *et al.*, 2003). The increased demand for disclosing more detailed information in separate reports for specific subjects to explain the firm's responsibilities such as corporate governance report has increased the doubts regarding the credibility and fairness of its content (Kolk, 2008; Manetti and Becatti, 2009; Metwally *et al.*, 2021; Metwally, 2022). The investors pressure for more strict rules for the management accountability has increased the need for evaluating the credibility of CG disclosures as prepared in CGR. Therefore, the production of the CGR is not enough; it also needs to be assured to ensure that the report is reliable and credible. Assurance of the CGR refers to the process of evaluating and providing an independent opinion on the report's reliability and credibility (Seguí-Mas *et al.*, 2018).

CGR is intended to provide stakeholders with information on a company's governance practices. The report provides information on the company's governance structures, including the board of directors, the audit committee, and the board other committees, as well as information on the company's risk management and internal control systems (Metwally, 2022). The report may also provide information on the company's environmental, social, and governance practices, including its approach to sustainability, diversity, and social responsibility. To be reliable, the CGR shall be subject to external assurance with a final professional opinion indicates whether CG practices are consistent with the legal requirements (Perego and Kolk, 2012; Seguí-Mas *et al.*, 2018; García-Sanchez *et al*., 2022).

The auditor's report on assessing the reporting on the company's commitment to applying corporate governance mechanisms is one of the new tasks added to the responsibilities of the external auditor. As the Financial Reporting Council (FRC) requires all companies listed on London Exchange to get their CGR audited, which means that the external auditor is responsible for evaluating both the disclosure on CG practices and to provide an opinion indicates whether the statement includes information consistent with the combined code (CGCode, 2000; Sahsah, 2013).

The assurance process includes obtaining an understanding of the company's governance practices, testing the information presented in the report, and the compliance with the applicable laws and regulations, including the Code itself. In auditing CGR, the auditor usually uses the International Standard on Assurance Engagement 3000 (hereafter ISAE 3000). This standard is used widely in assuring CGRs. However, the main critique for using ISAE 3000 in assuring CGR is that the standard was not designed for auditing this kind of information (Alsahali and Malagueno, 2022; Manetti and Becatti, 2009), which may decrease the reliability of its content.

In the Egyptian context, driven with two uprisings in 2011 and 2013, Egypt has shown real willingness to improve the corporate governance system in the economy to increase the confidence of the local companies and its ability to re-attract foreign investments after the period of instability for years. The Egyptian Corporate Governance Code issued (ECCG) requires companies to appoint an external auditor to provide assurance on the corporate governance report. In December 2018, The Financial Regulatory Authority (FRA) announced the template of CGR that all listed companies must prepare. Yet, an independent auditor must assure CG information before submitting CGR to the FRA. The auditor's responsibility is to assess whether the report complies with requirements of ECGC and provides an opinion on the reliability and credibility of the CGR (Metwally, 2022).

Prior literature presents some evidence on the impact of corporate governance mechanisms on: CG disclosure (de Villiers and Dimes, 2021; Razali and Arshad, 2014; Samaha *et al.*, 2012), firm performance (Al-Ahdal *et al.*, 2020; Aljifri and Moustafa, 2007; Bhagat and Bolton, 2008; Core *et al.*, 1999; Ward *et al.*, 2009), cost of capital (Botosan, 2000; Bradley and Chen, 2011; Chen *et al.*, 2009; Cheynel, 2013), and audit quality (Al-Ajmi, 2009; Beisland *et al.*, 2015; Goodwin and Seow, 2002; Miko and Kamardin, 2015; Rutherford, 2003; Shan, 2014). Furthermore, many studies examined the relation between CG and the external audit concentrated on the external auditors role in corporate governance rather than the effect of corporate governance on external audit (Holm and Laursen, 2007). The increased attention to the relation between the audit and corporate governance created new insights toward the real assurance of to what extent CG code is applied actually instead of evaluating what the firm’s management discloses in CGR (Hampel, 1998).

Many previous studies tried to figure out the determinants of auditor's opinion when auditing the financial statements in the Egyptian context (e.g., AbuRaya, 2023; Diab *et al.*, 2021; Eldaly and Abdel-Kader, 2017; Ibrahim and Badawy, 2018; Mohamed and Habib, 2013; Tantawy and Moussa, 2023). However, for the best knowledge of the author, no studies investigated the determinants of auditor opinion on CGR in Egypt, those determinants include board characteristics, audit committee characteristics and external auditors' characteristics. Therefore, the current study focuses on investigating the impact of CG internal mechanisms (e.g., board characteristics, audit committee characteristics, in addition to the external auditor characteristics) on the auditor opinion on CGR. Having said this, the main research question of this study can be formulated as follows: *Do board characteristics, audit committee characteristics and external auditors' characteristics affect the auditor opinion on CGR?*

The current study analysed 550 firm-years CGRs for companies listed on the Egyptian Stocks Exchange (hereafter EGX) for the years from 2018 to 2020. Through employing Logit regression models, the results show that the external auditor's characteristics have significant effect on the auditor's opinion on CGR, while board characteristics and audit committee characteristics have weak impact on the auditor's opinion on CGR.

Results of the current study revealed that there's a positive significant relationship between audit committee existence, audit committee independence and auditors' opinion. Further, CEO rule duality and executives in audit committee were found to have negative insignificant impact on auditor opinion. Finally, board independence was found to have positive insignificant impact on auditors' opinion. Findings of the current work are important in three ways. First, it informs the regulators about the quality of audits performed to assure CGRs and how far from the reality, auditors' issue their reports on CGR. Second, for the auditors, the results illustrated that auditors shall perform the audit of CGR more seriously to meet the legitimacy requirements, and to reduce the agency costs. Finally, our results enrich the literature as one of the early attempts to investigate the determinants of auditor's opinion on CGR and examine the creditability of the auditors' reports in this regard.

The remaining of this paper is organized as follows. Section 2 describes the development of corporate governance codes and reporting in

Egypt. Section 3 highlights the relevant literature related to the audit of CG report and develop the study hypothesis. Section 4 explains the methodology and data collection. Section 5 presents results and discussion. Finally, section 6 presents the concluding remarks and research implication.

2. Corporate Governance in the Egyptian context:

2.1 Generations of Egyptian corporate governance code:

Since the beginning of the current century, there is a growing awareness of the importance of CG as a response to the failure of several leading companies in the US and Europe. Despite listed companies in Egypt were required to disclose financial and non-financial information to the public as stipulated in the companies act 159/1981 as the main reference for the listed companies disclosures, there was a lack of confidence and weak protection of the investors was a significant obstacle to foreign investment and economic development. The first Egyptian Corporate Governance Code (ECGC) was introduced in 2005 as a means of promoting best practices in CG and enhancing corporate responsibility. Egyptian companies began to adopt ECGC which was mainly based on Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance. Also, in 2005, the Egyptian Institute of Directors (EIoD) was established to promote good CG practices. The EIoD developed a code of conduct for directors and provided training for corporate governance professionals. However, the guidelines stipulated in that code were so vague and brief, with emphasising the voluntary application for both listed and not listed companies.

The first version of CG code was subject to comprehensive amendments in 2011 to be consistent with the changes in the business environment. The new code included detailed set of principles and provisions based on international best practices of CG. It was voluntary and adaptable to different types and sizes of companies. The code is used as a reference point by regulators, investors, and other stakeholders in assessing corporate governance practices of Egyptian companies. The 2011 version is divided into six main sections, covering General Principles, Shareholders' Rights, Board of Directors, Executive Management, Disclosure and Transparency, and Control Environment. The ECGC introduces the rule of "comply or Explain" for the code principles and disclosures, but there are still areas for improvement, such as more explicit provisions on the board's role in risk management and greater disclosure of non-financial information. However, in absence of obligating listed firms on EGX to apply the two earlier CG codes, it was necessary to announce more strict CG code.

After the second Egyptian uprisings in 2013, the need for promoting transparency and protecting the shareholders rights was the priority for the economy to attract more foreign investments and encourage the Egyptian small investors to invest in the Egyptian shares listed on the stock exchange. Therefore, in July 2016 the current version of ECGC was introduced in Egypt to address corporate governance issues within Egyptian companies. The new Egyptian code on corporate governance is divided into three sections: Principles, Code, and Guidelines. The principles section contains the fundamental principles of corporate governance, including transparency, accountability, fairness, and responsibility. The Code section provides detailed guidance on the application of the principles and covers topics such as the board of directors, management, shareholders' rights, and disclosure. The Guidelines section provides recommendations and best practices for companies to follow in order to comply with the Code. However, till December 2018 the listed firms were not required to prepare CG report, and the code did not include any sanctions for not applying the code. In December 2018, The Financial Regulatory Authority (FRA) announced the template of CG report that all listed companies have to prepare and submit to FRA. Yet, an independent auditor must assure CG information before submitting the CGR to the FRA. The auditor's responsibility is to assess whether the report complies with requirements of ECGC and provides an opinion on the reliability and credibility of the CGR. In June 2020, FRA issued the decree no. 100/2020 to force all non-financial companies to follow the corporate governance rules accompanied with that decree, no matter whether these companies are listed on EGX or not. The decree declares that non-compliance with the new rules means revocation the license of the company.

2.2 The content of corporate governance report:

On 25th December 2018, FRA announced the template of CGR that all listed companies must prepare, and then an independent auditor must assure its information before submitting it to the FRA. The report includes environmental, social, and governance (ESG) information to stakeholders. This information must be reported on annual separated report. The FRA also established the Corporate Governance Unit to monitor and enforce the Code. The CGR must include specific components as table no.1 illustrates below:

The ECGC introduces the principle of “Comply or Explain” principle” to facilitate the voluntary adoption of CG new code. A corporation should generally endeavour to adopt all the pertinent principles described in this Code, without limiting the requirement to comply with laws and regulations. According to the "comply or explain" approach, if it fails to do

so for any reason, the corporation must give a valid and unbiased explanation. Every organisation is required to take into account all the principles specified in the current Code, describe which principles it complies with. This report will be made available on the business' website and included in its annual report to shareholders (EloD 2016).

Table 1: Egyptian CGR components

Egyptian CGR components
Details of the listed company
General Assembly for Shareholders
Ownership structure as of the end of fiscal year
Board of Directors Board of Directors Composition Board of Directors Profile
Board of Directors Supervisory Role and Responsibilities
Key Responsibilities of Board of Directors
Key Responsibilities of the Non-Executive Chairman
Key Responsibilities of the Chief Executive Officer and Managing Director
Board Committees and Board Meetings Board Committees Board Committees' Composition Board Meetings
Control Environment
External Auditors
Disclosure and Transparency
Material Information and Disclosure of Financials and non-Financials
Disclosure Tools Annual Report Board of Directors' Report Disclosure Report (Shareholders' ownership) Website
Violations and Penalties Issued to company during the ended fiscal year
Investor Relations
Policies and Procedures Code of Conduct Conflict of Interest Policy Contact with Regulator Policy
Insiders Trading and Related Parties Transactions
Disclosure Policy
Social and Environmental Responsibility

Source: Based on FRA template "corporate governance report" issued in 2018

However, the good governance does not mean preventing companies failures, but it is expected to reduce the number of failures (OECD, 2014). The author concludes that the good CG mechanisms and practices is evidential to the stakeholders that the company's commitment to accounting standards, listing rules, and other regulation is authenticated.

3. Literature Review and Hypothesis developing:

3.1 Corporate Governance Report Audit

The establishment of Corporate Governance (CG) and the revelation of corporate governance practices became intricately linked to notable corporate failures in the United States during the late 1990s and early 2000s. These incidents, alongside similar transgressions worldwide, prompted the creation of new regulations with the aim of safeguarding stakeholders from such failures (Bhasin, 2010). Viewed through the lens of agency theory, the inception of CG sought to alleviate the irresponsible conduct of management, serving as a protective measure for shareholder capital. CG was devised to address the agency cost (Fooladi and Farhadi, 2011). External Auditors play a pivotal role in the CG framework and processes, serving as vigilant overseers responsible for meticulously examining the quality and accuracy of financial statement. Auditors function as guardians, ensuring the reliability and excellence of financial reporting (Al-Ajmi, 2009).

The presence or absence of information asymmetry is contingent upon the quantity and quality of information disseminated by management to owners. Adequate disclosures by management diminish the information asymmetry issue, allowing stakeholders to make decisions based on accurate and reliable information (Fooladi and Farhadi, 2011). Consequently, audit quality constitutes an integral component of the Corporate Governance (CG) framework and processes. Alterations in CG codes and procedures directly impact audit processes, as auditors meticulously consider CG mechanisms and requirements during their audit planning (Cohen *et al.*, 2002).

The examination of studies focusing on disclosure types, materiality, and usefulness reveals a notable gap in research that specifically addresses the factors that affect the auditors opinion on Corporate Governance Reports (CGRs) except for some studies that concentrated on the materiality of CGR, assurance on CGR and determinants and mechanisms of having an effective CGR (de Villiers and Dimes, 2021; Metwally, 2022; Seguí-Mas *et al.*, 2018). Furthermore, the analysis underscores a substantial transformation in corporate disclosure practices over the past two decades, driven by the evolving needs of information users. Notably, the traditional reliance on financial statements as the primary source of information has undergone a

significant shift, with a heightened demand for diverse disclosures, particularly nonfinancial narrative disclosures. A burgeoning body of literature recognizes narrative disclosure as a suitable instrument for fulfilling these informational requirements (Abdelazim *et al.*, 2023; Desoky and Mousa, 2012; Dhaliwal *et al.*, 2012; El-Deeb *et al.*, 2021; Metwally *et al.*, 2021; Metwally, 2022; Mohamed *et al.*, 2019; Razali and Arshad, 2014).

In principle, the engagement of external auditor holds the potential to fulfill a corporate governance function by conveying a message about the quality of financial information, ensuring its precision and veracity for investors (Seguí-Mas *et al.*, 2018). Given that stakeholders and their representatives lack the capacity to personally execute, scrutinize, and guarantee all of an organization's activities, reliance on assurance services becomes imperative. Stakeholders place trust in these services to furnish them with pertinent information (Metwally, 2022). Historically, companies have employed assurance services to implement effective governance practices, mitigate risks, and regulate internal processes. As a result, assurance activities constitute a vital component of corporate governance. In the epoch of integrated reporting, the concept of 'combined assurance' emerges as a novel governance tool (Beisland *et al.*, 2015; Glover and Prawitt, 2014; Goodwin and Seow, 2002; Whittington and Pany, 2022).

The present investigation contributes to the body of literature on disclosure, governance, and auditing within the Egyptian context. Existing studies predominantly focus on the implementation of corporate governance (CG) codes, their impact on disclosures, and the ramifications of CG code issuance and enforcement (Abdelazim *et al.*, 2023; Desoky and Mousa, 2012; Dhaliwal *et al.*, 2012; El-Deeb *et al.*, 2021; Metwally *et al.*, 2021; Metwally, 2022; Mohamed *et al.*, 2019; Razali and Arshad, 2014). Surprisingly, except for Seguí-Mas *et al.* (2018) and Metwally (2022) no studies concentrated on CGR auditing issues. A discernible research gap is evident in the realm of Corporate Governance Reports (CGRs) studies, particularly the scarcity of investigations concentrating on CGR studies within the Egyptian context. Existing literature predominantly emphasizes the necessity of CG, its operational mechanisms, the influence of governance on disclosure and transparency, materiality of CGR, and the consequential benefits to investors and stakeholders. However, a notable lacuna exists regarding the impact of corporate governance internal mechanisms on the external auditor opinion regarding the assurance of corporate governance report. Addressing this void, the current study specifically delves into the examination of the impact of corporate governance internal mechanisms on the external auditor opinion regarding the assurance of corporate governance report. The subsequent

section will center on CG mechanisms, subsequently formulating study hypotheses.

3.2 Theoretical Framework and Hypothesis developing:

The Organisation for Economic Co-operation and Development (OECD) illustrated that in many cases, the companies collapse would be avoided if such companies adopted good corporate governance practices. The most obvious motivation for preparing and auditing CGR is to meet legal and regulatory requirements. Furthermore, corporate governance literature documented that the good practices of CG associate positively with firm performance (e.g.,Al-Ahdal *et al.*, 2020; Aljifri and Moustafa, 2007; Bhagat and Bolton, 2008; Core *et al.*, 1999; Ward *et al.*, 2009), low cost of finance (Bhojraj and Sengupta, 2003; Bradley and Chen, 2011; Chen *et al.*, 2009; Klock *et al.*, 2005), increasing share prices (e.g., Bai *et al.*, 2004; Black *et al.*, 2006; Isshaq *et al.*, 2009; Jo and Harjoto, 2011), and earnings quality (e.g., Buertey *et al.*, 2020; Chang and Sun, 2010; Choi *et al.*, 2013; Epps and Ismail, 2009).

The regulators interventions in the field of governance such as Sarbanes-Oxley Act (SOX) in the United States and the CG codes in other countries have a positive impact against any bad behaviours by the internal parties. Such regulations protect the relation between the audit committee as a representative of the firm and the external auditors as independent guard to ensure whether the management fulfilled their responsibilities regarding the truthfulness of released information (Raval, 2020).

The agency theory and the compliance theory represent relevant background for assurance of CG report. According to the agency theory, managers are passionate to reduce the contracting costs through providing external evidence that the information is reliable for stakeholders (Whittington and Pany, 2022). The agency theory suggests that the efficiency of board of directors and maximising the monitoring role, the majority of board members should be non-executive members and independent members (Aguilera and Jackson, 2010; Cerbioni and Parbonetti, 2007; Singh and Mitchell Van der Zahn, 2008). That is, improving CG practices is expected to reduce the agency conflict and the costs as the interests of the managers and the shareholders are aligned in one direction (Hidalgo *et al.*, 2011; Kamath, 2019; Vitolla *et al.*, 2020). However, in the Egyptian context, the managers were not eager to provide CG report or any kind of independent assurance of CG report. As mentioned earlier, ECGC issued in 2016 and still in effect until now, however, the companies listed on the Egyptian Exchange did not disseminate a separate CG report prior to FRA decree in December 2018. This

leads our analysis to conclude the power of the FRA in issuing a decree regarding the mandatory preparation and assurance of CG report released form 31st December 2018 onwards. Furthermore, it is argues that the demand for assurance services may explained by the agency theory, but it may not relevant in explaining the quality or efficiency of the audit and assurance service (Knechel *et al.*, 2020).

The compliance theory, rooted in the idea that organizations conform to external regulations and standards to gain acceptance and credibility, holds particular relevance in the context of auditors providing assurance (Suchman, 1995). According to the compliance theory, the auditor carries out the audit procedures in light of the standards and legal requirements. The compliance theory imposes that the auditor compares the content of records and reports with what the regulation states to conclude a final opinion (Deegan, 2002, 2006)

The application of compliance theory in explaining the auditor's opinion when assuring a corporate governance report offers a comprehensive framework for understanding the motivations behind the auditing process and the significance of achieving legitimacy through transparent reporting (Brown and Caylor, 2009; Glover and Prawitt, 2014). Auditors identify unethical behavior and recommend improvements, contributing to ethical compliance and legitimacy, and uncovering non-compliance or irregularities (Glover and Prawitt, 2014). By providing an independent and unbiased assessment of the company's governance structures, board effectiveness, executive compensation, risk management processes, and ethical conduct, auditors offer stakeholders a valuable perspective on the organization's commitment to compliance and legitimacy. A clean audit opinion signals the organization's commitment to compliance and enhances stakeholder trust (Maroun, 2020).

Unlike the content CSR and sustainability reports where the information has no evidence to support its occurrence, the majority information related to CG is verifiable. For instance, the board composition and audit committee composition are not concealable. To support the audit evidence to assess the CG report, the auditor may use another legal report that the firm submits to the FRA on a regular base (every three months) indicating the board composition and any changes have occurred comparing to the prior report. The author concludes that the good CG mechanisms and practices is evidential to the stakeholders that the company's commitment to accounting standards, listing rules, and other regulation is authenticated.

3.2.1 Board Characteristics and Corporate Governance report's assurance

The directors' panel is considered amongst the most imperative foundations of CG mechanisms in supervising that firms are appropriately managed by the proxies (Chouaibi *et al.*, 2022). This study focuses on two characteristics of board of directors as discussed below:

3.2.1.1 Board independence and auditor's opinion on CG report

Board independence refers to the degree to which the board of directors is free from conflicts of interest and has the ability to make decisions in the best interests of the company and its stakeholders. Prior literature suggests that firms with higher percentage of independent directors encounters less agency cost, and the managers work more effectively (Li and Harrison, 2008). Furthermore, independent directors should be chosen based on their accumulative expertise, which improve the decision-making process in the board room. Nevertheless, the existence of independent directors increases the compliance with the legal requirements and responsibilities (Hoitash *et al.*, 2009; Raval, 2020). That is, board independence can impact the effectiveness of the board and its ability to provide effective oversight of the company's management. This, in turn, can impact the quality of the corporate governance report.

ECGC specifies that the board must include at least two independent members (ECGC, 2016).

Based on the above discussion, the following hypothesis have been formulated:

H1a: **There is a significant effect OF the board independence ON CG auditor's opinion**

3.2.1.2 Role Duality and auditor's opinion on CG report

The effectiveness of the board of directors can be compromised by role duality, which refers to the situation where the CEO or other executive members also serve as the chairperson of the board of directors. Several studies have examined the impact of role duality on corporate governance reporting. Some studies suggest that role duality can lead to a concentration of power in the hands of the CEO, which may result in a lack of checks and balances and reduced transparency (Fama, 1980; Jensen, 1993). Other studies

suggest that role duality can lead to a conflict of interest between the CEO's duty to maximize shareholder value and the chairperson's duty to oversee the board's activities (Core *et al.*, 1999). In such cases, the CEO may prioritize short-term profits over long-term sustainability and may prioritize the interests of the executive members over those of the shareholders.

On the other hand, some studies suggest that role duality may have some benefits, such as increased efficiency and faster decision-making (Daily and Dalton, 1997; Gul *et al.*, 2010) (Dalton & Daily, 1997; Gul et al. 2010). However, these studies also highlight the potential risks associated with role duality, such as reduced accountability and a lack of oversight.

ECGC require the separation between the board chair and CEO under the role of comply or explain" (ECGC, 2016).

Based on the above discussion, the following hypothesis have been formulated:

H1b: "**There is a significant effect of the role duality on CG auditor's opinion**

3.2.2 Audit Committee Characteristics and Corporate Governance report's assurance

3.2.2.1 The existence of Audit committee and auditor's opinion on CG report

The primary role of the audit committee is to provide oversight and monitoring of the financial reporting process (Bédard and Gendron, 2010). The committee is responsible for reviewing and approving financial statements, overseeing the internal control system, and appointing and overseeing the external auditors and determines their compensations, and ensures that the financial reporting process is transparent, accurate, and in compliance with legal and regulatory requirements (Bliss *et al.*, 2011). Therefore, the existence of an audit committee is considered to be one of the best practices in corporate governance (Bédard and Gendron, 2010; Kend, 2015), and might lead to improve the corporate governance reporting, therefore reduce the agency costs.

According to ECGC, the audit committee's primary responsibilities include overseeing the financial reporting process, monitoring the effectiveness of internal controls, and appointing and overseeing the external auditor. The audit committee is expected to be composed of independent directors with relevant financial expertise.

Several studies have investigated the impact of the audit committee on corporate governance quality. Yermack (1996) found that firms with an audit committee had a higher likelihood of voluntarily disclosing information to the public. Beasley *et al.* (2000) examined the impact of audit committees on financial reporting quality. The study found that firms with audit committees had higher financial reporting quality than those without audit committees. DeZoort *et al.* (2002) investigated the impact of audit committees on internal control quality. The study found that firms with audit committees had stronger internal control systems than those without audit committees. Turley and Zaman (2007) found that firms with an audit committee had significantly fewer accounting irregularities compared to those without an audit committee. Similarly, Chen *et al.* (2008), Cheng and Courtenay (2006) found that the presence of an audit committee was positively related to firm performance. Alzeban and Sawan (2015) documented that the presence of an audit committee was associated with a lower likelihood of internal control weaknesses, indicating that the audit committee enhances the effectiveness of the internal control system. On the other hand, some studies found that the existence of audit committees had no significant impact on the quality of financial reporting (Pucheta-Martínez *et al.*, 2021), which increases the concerns regarding the adequacy of the firm reports.

Under the requirements of both the Companies Law 159/1981 and ECGC; every listed company on the EGX is mandated to formulates an audit committee. Furthermore, the ECCG considers the audit committee the most important committee that maintains the effectiveness of the internal control systems and the internal audit, in addition to manage the communication with the external auditor (ECGC, 2016).

Based on the above discussion, the following hypothesis have been formulated:

H2a: *“***There is a significant effect of audit committee existence and the auditor’s opinion on CG**

3.2.2.2 Audit committee independence and auditor's opinion on CG report

The financial scandals occurred at the beginning of the current century highlighted the vital role of having independent and non-executive members on the audit committee (Abbott *et al.*, 2004). The audit committee should be comprised of outsider directors who, both in practise and appearance, are free from the influence of management. Members of the audit committee ought to have a basic understanding of accounting standards, regulations, and listing rules. The committee is typically composed of independent directors who are not involved in the day-to-day management of the company (Beasley *et al.*, 2009). An independent audit committee can provide a higher level of scrutiny and oversight to the financial reporting process, as well as to the work of the external auditor. An independent audit committee can also provide greater assurance to shareholders and other stakeholders that the financial and nonfinancial reporting process is conducted transparently and in accordance with established standards (Carcello and Neal, 2000).

When the audit committee lacks the independence, it can undermine the effectiveness of its oversight role. A lack of independence can lead to a situation where the audit committee is not able to provide adequate oversight to the financial reporting process, and it may be more likely to accept the findings of the external auditor without sufficient scrutiny. This can ultimately lead to inaccurate or incomplete financial reporting and can undermine the assurance of corporate governance reports.

In Egypt, ECGCs which issued in 2011 specified that all members of the audit committee should be independent unless the number of independent members is not enough then the committee may include some nonexecutive members. However, ECGCs issued in 2016 indicates that the committee members may include independent and non-executive members as well as outsider members. It could be concluded that the CG rules in 2016 represent a retraction in the independency of audit committee comparing with the former rules of 2011.

Furthermore, the presence of executive directors (EDs) on the AC may also affect the auditor's opinion on the CG report. Auditors rely on the AC to provide oversight and guidance, and they may view the presence of EDs as a potential conflict of interest (Collier and Gregory, 1999). This may lead auditors to be more cautious and conservative in their opinions, particularly if they perceive that the EDs are exerting undue influence on the AC's decisions.

Based on the above discussion, the following two hypotheses have been formulated:

*H2b1: "***There is a significant positive effect of audit committee independence and the auditor's opinion on CG**

*H2b2: "***There is a significant negative effect of the presence of executive members on audit committee and the auditor's opinion on CG**

4. Research Methodology

4.1 Sample Selection and data analysis:

The study sample covers the audited corporate governance reports for all listed shares on the Egyptian Capital Market. As mentioned earlier, the FRA imposed all listed firms to prepare and submit the annual corporate governance report after being audited by an external authorised auditor for the fiscal years starting from 2018 onwards. Therefore, the sample includes all corporate governance reports issued by all firms listed on EGX for the years 2018, 2019 and 2020.

The initial sample included all listed companies on the Egyptian main capital market (EGX) during the period of the years from 2018 to 2020. This provided 651 firm-years. The author then excluded thirty-three observations for shares that were listed or delisted during the mentioned period. The author then collected three annual kinds of reports that are corporate governance, the management report, and the financial annual report. While corporate governance report provides information about the board of directors' characteristics and audit committee characteristics, the management report indicates more details related to the auditor characteristics (eg: the audit offices names, date of appointing the auditor). Furthermore, the financial reports are useful to extract information related to the firm size. Therefore, it was necessary to collect the three reports for each listed share annually. governance reports and the management reports were collected through two sources, the Egyptian EGX website and Mubasher website. A total of 550 CG reports, and 550 management reports for the same sample were collected too. However, forty-two firm-years were ignored since their reports were not available over the three years on neither the EGX website nor Mubasher website. The final sample included 550 firms-years and each firm year includes three different reports, which means that a total of 550 firm-year corporate governance reports were subject to a deep check to collect the board

of directors' characteristics and audit committee characteristics. Furthermore, the management reports and the financial reports for the same observations were collected to gather information related to the auditor and the firm size. Final sample classification and industry type are described below in table 1.

4.2 Variables and regression models definition

The author scanned each CG report to obtain to the auditor opinion on the corporate governance practices in listed firms as the dependent variable in the model. Furthermore, the management report for each listed share provided information covers board of directors' characteristics including board size, board independence, dual role, number of executive managers in the board, and board meetings. Moreover, the management report indicates information related to audit committee which include the committee size, committee independence, number of executives in the committee, and committee meetings. Finally, variables related to the audit characteristics were extracted from the CG report, those variables include the joint audit, the auditing firm size, and the audited CG report lag.

The multivariate regression is deployed in this study through performing logistic regression as it fits the dichotomous dependent variable that takes only two categories or two fixed variables. Logistic regression not requiring a linear relationship between the dependent variable and the independent variables, as it not requires data to be normally distributed. Therefore, the regression model was generated as follows:

$$CGAO= \beta0+ \beta1BSIZEit+\beta2\ BINDP_{it} + \beta3\ RODUAL_{it}+ \beta4\ EXCBDR_{it}+\beta5\ BDRMEET_{it}+ \beta6\ ACSIZE_{it}+ \beta7\ ACINDP_{it}+ \beta8\ ACEXC_{it}+\beta9\ ACMEET_{it}+ \beta10\ BIG4_{it}+ \beta11\ JAUDIT_{it}+ \beta12ASA_{it}+ \beta13\ CGRLAG_{it}+ \varepsilon_{it}$$

where:

β refers to the value of the variable for every observation, i, refers to the firm-year from 1 to the company 552, t indicates the values of the year from 2018 to 2020, to company 610; t takes the values of the years from 2007 to 2014; ε is the estimation error in the model, CGAO is the auditor opinion on corporate governance report as a dummy variable coded as 1 if the opinion is qualified, and 0 otherwise.

Table 1 Sample Classification and Industry Type

Sectors	Firm-Years	Percentage
Real Estate	96	17.45%
Industrial Goods, Services and Automobiles	18	3.27%
Building Materials	30	5.45%
Basic Resources	36	6.54%
IT , Media & Communication Services	18	3.27%
Food, Beverages and Tobacco	75	13.62%
Trade & Distributors	6	1.1%
Shipping & Transportation Services	9	1.63%
Education Services	9	1.63%
Health Care & Pharmaceuticals	45	8.36%
Travel & Leisure	30	5.45%
Energy & Support Services	9	1.63%
Contracting & Construction Engineering	24	4.36%
Textile & Durables	21	3.81%
Paper & Packaging	12	2.18%
Non-bank financial services	78	14.18%
Banks	34	6.18%
Total	***550***	***100%***

Control variables:

To maximize the accuracy of the study model; the author consider the effect of some control variables. These variables include governance related variables (board size, number of executive members on the board, audit committee size, institutions ownership), audit firm related variables (Audit firm size, joint audit, and the accountability state authority's audit), and firm related variables (firm size, return on assets). The below table presents the study variables and the measurement of each of them and the source of information gathering.

5. Empirical Results

5.1 *Descriptive Statistics*

Table 3 shows the descriptive statistics of the variables included in the regression model. It is shown that 79% of the CG reports received an unqualified opinion. The average of board of directors' size was 8.3967, with a minimum size of three members that was found in three firm-year, and a maximum of 19 members that was reported in three firm-year also. The most frequent sizes were seven members in 150 firm-year, nine members in 93 firms, and five members in 69 firm-year. Surprisingly, no independent members were found in 255 firm-year, while the number of two independent members was the dominant in the remaining observations. It was revealed that the board of directors' chair and CEO are the same person in 336 firm-year (61% of the observations).

For the auditor office size, the analysis shows that more than one-third of the listed shares (191 firm-year) prefer auditing their financial reports through one of the big four. The Accountability State Authority audits the records of 159 firm-year, which refers to the significant role of the governmental institutions in investing in the listed shares. The table illustrates that the auditors' opinions were qualified for 116 firm-year (21% of the sample) corporate governance reports, while the report was unqualified for 434 observations (79% of the sample). The joint audit was common in 150 observations listed firms (27%)[1], while one audit firm was the choice of 400 observations.

[1] Notting that the Central bank rules enforce all banks to getting their annual reports audited by two audit firms at least.

Table 2 – Summary of Variables Identification

Variables	Code	Measurement	Source of Information
Dependent Variable CG Auditor Opinion	CGAO	Dummy variable, 1 if the opinion is unqualified, and 0 otherwise.	Corporate governance report
Independent Variables			
Board related variables:			
Role Duality	DUALCEO	Dummy variable, 1 for the head of the board of directors is the CEO and zero otherwise.	Corporate governance report
Board Independence	BDIND	Number of independent members in the board	Corporate governance report
Audit Committee related variables:			
Existence of audit committee	AUEXIS	Dummy variable, 1 for the committee exists in the firm, and zero otherwise.	Corporate governance report
Audit Committee independence	ACIND	Number of independent members in the committee	Corporate governance report
Executives in Audit Committee	ACEXC	Number of executive members in the committee	Corporate governance report
Control Variables			
Board Size	BDSIZE	Number of the board of directors members	Corporate governance report
Executives IN Board	EXCMAN	Number of executive members in the board in the board	Corporate governance report
Audit Committee Size	ACSIZE	Number of audit committee members	Corporate governance report
The audit firm size	BIG4NOT	Dummy variable, 1 if the audit firm is one of the big four, and zero otherwise.	Corporate governance report
Joint Audit	JAUDIT	Dummy variable, 1 if the two different audit firms performed the auditing jointly, and zero otherwise.	Corporate governance report
Governmental Audit	GVAUDIT	Dummy variable, 1 if the accountability state authority audits the corporate governance report, and zero otherwise.	Corporate governance report
Firm Size	SIZELOG	Natural logarithm of total assets at the end of the fiscal year	The balance sheet
Return on Assets	ROA	Ratio of net income over average of total assets	Balance sheet, Income Statement
Institutions Ownership	INSOWN	Proportion of the shares owned by institutional investors	Corporate governance report

Table 3 Descriptive Statistics

	Obs.	Mean	Std. Dev.	Min.	Max.
Dependent Variable:					
CGAO	550	0.7891	.4091	0	1
Independent variables:					
Board of Directors Variables:					
DUALCEO	550	1.25	1.4241	0	8
BDIND	550	0.6087	.4885	0	1
Audit Committee Variables:					
AUEXIS	550	.9674	.1778	0	1
ACIND	550	1.2174	1.2808	0	6
ACEXC	550	0.0761	.2852	0	2
Control Variables:					
BDSIZE	550	8.3967	2.7052	3	19
EXCMAN	550	2.0978	1.2786	0	7
ACSIZE	550	3.5326	1.3071	0	8
BIG4NOT	550	0.3478	.4767	0	1
JAUDIT	550	0.2717	.4452	0	1
GVAUDIT	550	0.2826	.4507	0	1
SIZELOG	550	6.1476	.89618	4.24	8.59
ROA	550	4.2446%	10.92%	-54.78%	38.70%
INSOWN	550	33.477%	33.0226%	0	99.69%

Source: Statistical analysis of the study

5.2 *Correlation Analysis*

In order to perform OLS regression analysis, the correlation between the model's variables must be evaluated in order to identify any multi-collinearity issues (Gujarati and Porter, 2009). The estimations could be less accurate if there is multi-collinearity between the independent variables (Gujarati and Porter, 2009). Determining the relationships among the independent variables is therefore a crucial step in doing the OLS regression. A regression model without any association between the explanatory variables is actually too complex to be created. According to some academics, correlation coefficients should be viewed as having a reduced influence of multicollinearity if they do not surpass 0.80. Both the tolerance coefficients and the variance inflation factor (VIF) are computed and reported in table 4, further demonstrating that multi-collinearity is not a problem in the current investigation. According to (Field, 2009), the tolerance is less than 0.1 if the VIF coefficient is greater than ten or its alternative.

As indicated in table 4, there is a significant negative correlation between the auditor opinion on CG report (GGAO) and board independence, existence of audit committee, in addition to a significant positive association with role duality. Overall, collinearity does not seem to cause concern regarding the interpretation of regression coefficients of the independent variables in this model since this correlation. Furthermore, as none of the variables have correlations over 0.8 or 0.9, the correlations matrix reported in table 4 demonstrates that there is no multicollinearity. It is suggested that the regression analysis may start to suffer from multicollinearity problems at a value of 0.8 (Gujarati and Porter, 2009). In addition, Variance Inflation Factor (VIF) tests were carried out; they are shown in Table 4, which demonstrates that there is no variance inflation more than 10, demonstrating that collinearity is not a problem in this study.

Table 5 ensures the validity of the model used in the study to examine drivers of auditing corporate governance reports. The table shows that variables included in the regression model correctly predicted 92.7% of the cases where the auditor opinion was unqualified and 36.8% of cases where the auditor' opinion was qualified or reverse.

Table 4 Pearson correlation

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Tolerance	VIF
CGAO	1															
DUAL	.143**	1													.778	1.285
BDIND	-.185-**	-.258-**	1												.511	1.958
AUEXIS	-.129-**	-.085-*	.097*	1											.705	1.418
ACIND	-.036-	-.168-**	.597**	.175**	1										.520	1.925
ACEXC	.095*	.097*	-.074-	.049	.029	1									.868	1.152
BDSIZE	-.179-**	-.084-*	.304**	.174**	.105*	-.060-	1								.684	1.463
EXCMAN	.044	.088*	.073	.038	.177**	.218**	.069	1							.850	1.176
ACSIZE	-.018-	-.040-	.124**	.497**	.327**	.052	.311**	-.005-	1						.546	1.833
BIG4NOT	-.295-**	-.093-*	.329**	.070	.215**	-.155-**	.197**	-.092-*	-.036-	1					.609	1.643
JAUDIT	-.197-**	.064	.021	.112**	-.075-	-.120-**	.295**	-.085-*	.125**	.246**	1				.715	1.399
GVAUDIT	.265**	.330**	-.246-**	.047	-.107-*	-.041-	.149**	.075	.280**	-.230-**	.241**				.575	1.738
SIZELOG	-.193-**	-.055-	.219**	.195**	.135**	-.007-	.379**	.002	.118**	.507**	.403**	.010	1		.568	1.762
ROA	-.178-**	.134**	.081	.090*	.078	.099*	.167**	.027	.138**	.057	.175**	.030	.130**	1	.894	1.119
INSOWN	-.021-	-.088-*	-.060-	.011	.000	-.194-**	.110**	-.114-**	.167**	.063	.133**	.344**	.189**	-.101-*	.741	1.350

1: CGAO, 2: DUAL, 3: BDIND, 4: AUEXIS, 5: ACIND, 6: ACEXC, 7: BDSIZE, 8: EXCMAN, 9: ACSIZE, 10: BIG4NOT, 11: JAUDIT, 12: GVAUDIT, 13: SIZELOG, 14: ROA, 15: INSOWN

Table 5: Classification Table

Observed		Predicted		
		CGAO		Percentage Correct
		Unqualified	Qualified & Others	
CGAO	Unqualified	434	34	92.7%
	Qualified & Others	116	54	36.8%
Overall Percentage				80.6%
a. The cut value is .500				

5.3 *Findings and Discussions*

Table 6 shows the results of the Logistic Regression models. The value of Pseudo R2 is 36.3%, which indicates the relevance of the regression models adopted in this study to explain the impact of some internal CG mechanisms on the audit opinion on CG report.

Table 6 illustrates that the BDIND, AUEXIS, ACIND have positive effect on the auditor opinion on CG, while DUALCEO and ACEXC negatively affect that opinion. The analysis shows that ACEXC correlates positively and significantly with the auditor opinion on CG report (B Value -1,513, p-value < 5%), as ACIND has a positive relation with CGAO but at lower p-value (B Value 0.227, p-value < 10%). BDIND was found to has insignificant positive effect on CGAO. On the other hand, DUALCEO and ACEXC have negative but not significant effects on CGAO (p-value > 10%), suggesting that, in some observations, the auditors consider role duality and the existence of executive members on the audit committee as a whistleblowing of bad CG practices. Therefore, the auditor may issue an audit report on CG otherwise the unqualified one if one person is in charge for the chairman of the board of directors and the executive manager as well, and this opinion may be applicable when the audit committee includes executive members.

Table 6 indicates that many of the control variables have significant effects on CGAO. The auditor size (AFSIZE, (B Value 1,618, p-value < 1%) and the dual audit (DUALAUDIT, (B Value 1,647, p-value < 1%) have positive impact on CGAO, while the presence of the state accountability authority, as an external auditor, correlates with weaknesses in the CG report (B Value -2,182, p-value < 1%). Furthermore, the analysis shows that the companies with higher profits, measured through return on assets, and the presence of high percentage of the institutional ownership are more likely to receive unqualified opinion on their CG reports (B Value 0,035, p-value < 1%; B Value 0,015, p-value < 1% respectively).

The above results conform with and support the agency theory and the compliance theory claims. As the results indicated that the efficiency of board of directors and maximising the monitoring role, the majority of board members should be non-executive members and independent members (Aguilera and Jackson, 2010; Cerbioni and Parbonetti, 2007; Garcia-Sanchez, I. M, 2022; Singh and Mitchell Van der Zahn, 2008). That is, improving CG practices was found to impact the auditors' opinion and reduce the movement to qualified report. Regarding compliance theory, the internal CG mechanisms like the existence of audit committee and the committee independence impacted the auditors opinion positively which support the compliance theory idea that that organizations conform to external regulations and standards to gain acceptance and credibility, holds particular relevance in the context of auditors providing assurance (Suchman, 1995). Further, this confirms that the auditor carries out the audit procedures in light of the standards and legal requirements which in return leads to his/her final opinion (Deegan, 2002, 2006)

Table 6: results of the Logistic Regression Model

Coefficients	Predicted sign	B value	Sig.
DUALCEO	-	-.102	.442
BDIND	+	.161	.597
AUEXIS	+	1.513	.030**
ACIND	+	.227	.067*
ACEXC	-	-.623	.116
BDSIZE	+/-	.042	.503
EXCMAN	-	.152	.123
ACSIZE	+	.038	.769
AFSIZE	+/-	1.618	.00***
JAUDIT	+/-	1.647	.00***
GVAUDIT	+/-	-2.182	.00***
SIZELG10	+/-	.066	.798
ROA	+/-	.035	.006***
INSOWN	+	.015	.003***
Pseudo R^2		36.7%	
(p value)		(0.000) ***	

***, **;* the correlation is significant at 1% ,5% and 10% respectively.

5.4 Robustness test

Unlike many previous studies, the current study does not eliminate the financial sector as well as the firms owned partially by the government in initial model and sample. The strict rules that are imposed on the financial sector for the control purposes including the external audit for such entities shall be carried out by two different external auditors may rise doubts regarding the validity of the regression model employed in the current study. Therefore, it is necessary to retesting the regression model for the sample after eliminating this sector. Secondly, the Accountability State Authority audits the entities that governmental bodies own at least 25% of its capital following strict rules stipulated by the law no.44/ 1988 and presidential decrees. Thus, the second robustness test re-examine the regression model after eliminating CG reports that were audited by Accountability State Authority. The last model examines the remaining observations after eliminating all data belongs to the financial sector and the entities that its CG reports are audited by the Accountability State Authority. The results in the below table show similar results for the control variables within all the regression models. The ROA correlates positively with the audit opinion regarding CG report at the p-value 1% for all models. Similarly, the institutional ownership increases the possibility of receiving unqualified audit opinion with a significant p-value at 1% for the second model, and at 5% and 10% for the first and the third models respectively.

Table 7: Robustness test

	Model 2 [a]		Model 3 [b]		Model 4 [c]	
Coefficients	**B**	**Sig**	**B**	**Sig.**	**B**	**Sig.**
DUALCEO	-.284	.402	-.013	.973	-.045	.915
BDIND	.073	.588	.281	.193	.392	.092*
AUEXIS	1.503	.036**	.057	.296	.088	.306
ACIND	.235	.029*	.248	.296	.140	.600
ACEXC	-.497	.210	-. 453	.331	-.841	.092*
BDSIZE	-.046	.494	-.018	.813	.027	.753
EXCMAN	-.091-	.363	.003	.994	-.894	.000
ACSIZE	-044	.747	.040	.872	.019	.944
AFSIZE	1.762	.000***	2.533	.001***	-2.913	.000***
DUALAUDIT	1.819	.000***	18.717	.996	-18.434	.997
GVAUDIT	-1.694	.000***	--	--	--	--
SIZELG10	055	.820	.448	.124	.360	.272
ROA	.049	.001***	.065	.003***	.103	.000***
INSOWN	.012	.044**	.016	.009***	-012	.066*
Pseudo R^2	35.9%		42%		45.5%	
(p value)	(0.000) ***		(0.000) ***		(0.000) ***	

a: all observations excluding financial sector.

b: all observations excluding public business entities.

c: all observations excluding both financial and public business entities.

6. Concluding remarks:

Using a sample of all listed companies in the EGX with a total of 550 observations over the period from 2018 to 2020, the current study investigated the impact of corporate governance (CG) internal mechanisms on the external auditor opinion regarding the assurance of corporate governance report. The investigated mechanisms included CEO role duality, board independence, audit committee existence, audit committee independence and the existence of executives in the committee. The findings revealed a positive significant relationship between audit committee existence, audit committee independence and auditors' opinion. Further, CEO rule duality and executives in audit committee were found to have negative insignificant impact on auditor opinion. Finally, board independence was found to have positive insignificant impact on auditors' opinion. All these results support early findings in the literature and support both the agency and compliance theories deployed in this study.

Furthermore, the results of the current study documented inconsistency between the requirements of ECGC such as the board independence, role duality, existence and independence of audit committee from one hand, and the governance structure in companies included in the sample from another hand. However, the auditors' opinions on CG reports represent general opinions with no details to explain the weaknesses in the company's governance. To increase the effectiveness corporate governance report should include detailed assessment for the key factors of corporate governance similarly to the extended audit report on the financial report. It is suggested that limiting the auditor opinion to evaluate the reliability of information provided in CG without any explanations and advice to the management of the company prevent the user of CG report from understanding the statues of CG practices (Manetti and Becatti, 2009; Seguí-Mas *et al.*, 2018). Furthermore, in the absence of detailed audit report on CG practices, the materiality of missing information in CG report or not fully applying requirements of ECGC may lead to variance auditors decisions regarding the effect of such issues on the users as the auditors assess the usefulness of such information from their own point of view (Metwally, 2022).

The current study to the best of author knowledge, represents an early attempt to investigate the impact of corporate governance internal mechanisms and its impact on auditors' opinion. This contribution extends and enrich the existing corporate governance and auditing literature. The findings of the current work are important in three ways. First, it informs the regulators about the quality of audits performed to assure CGRs and how far from the reality, auditors' issue their reports on CGR. Second, for the auditors, the results illustrated that auditors shall perform the audit of CGR more seriously to meet the legitimacy requirements, and to reduce the agency costs. Finally, our results enrich the literature as one of the early attempts to investigate the determinants of auditor's opinion on CGR and examine the creditability of the auditors' reports in this regard.

The present investigation is circumscribed by specific constraints, presenting prospects for subsequent research endeavors. Specifically, the study's scope is confined to Egyptian enterprises listed on the EGX between 2018 and 2020. Nevertheless, there exists an opportunity for future investigations to replicate the current study within diverse African contexts, with particular emphasis on the MENA region. This is particularly pertinent

as there is a dearth of research concentrating on auditors' opinions and the determinants influencing the nature of generated reports in this region. The significance of such replication is underscored by the shared political and economic upheavals experienced by many MENA countries during the Arab Spring revolutions. Additionally, the Egyptian market comprises numerous family-owned businesses with political affiliations. Consequently, future inquiries could delve into the ramifications of changes in ownership and political connections on auditors' opinions.

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هل يخفض توكيد تقرير حوكمة الشركات من صراع الوكالة؟ دور رأي المراجع: دليل من أحد الأسواق الناشئة

د. مصطفى قايد عبد العظيم محمد

المستخلص:

- **الهدف:** يهدف هذا البحث إلى اختبار تأثير الآليات الداخلية لحوكمة الشركات على رأي المراجع الخارجي فيما يتعلق بتوكيد تقرير حوكمة الشركات.
- **التصميم والمنهجية:** تضمنت العينة المستخدمة في البحث جميع الشركات المقيدة في البورصة المصرية من الفترة من ٢٠١٨ حتى ٢٠٢٠. وتشمل العينة النهائية جميع تقارير حوكمة الشركات وتقارير الإدارة وتقارير مراجعي الحسابات عن توكيد تقارير الحوكمة خلال الفترة المذكورة والتي بلغ عددها ٥٥٠ تقرير. وتم استخدام أسلوب الانحدار المتعدد لاختبار فروض الدراسة وذلك من خلال نموذج الانحدار اللوجستي لأنه يناسب المتغير التابع ثنائي الإجابة
- **النتائج والتوصيات:** أظهرت النتائج وجود علاقة إيجابية معنوية بين وجود لجنة المراجعة واستقلالية لجنة المراجعة ورأي مراجعي الحسابات.عن تقرير الحوكمة. علاوة على ذلك، تبين أن الجمع بين المدير التنفيذي ورئيس مجلس الإدارة وكذلك وجود المديرين التنفيذيين كأعضاء في لجنة المراجعة لها تأثير سلبي ولكن غير معنوي على رأي المراجع عن تقرير الحوكمة. وأخيراً، تبين أن استقلالية مجلس الإدارة لها تأثير إيجابي ولكن غير معنوي على رأي المراجع. ويمكن للبحوث المستقبلية اختبار تأثير رأي المراجع عن تقرير الحوكمة على أسعار الأسهم وتكلفة التمويل.
- **الأصالة والإضافة:** في حدود علم الباحث، يمثل البحث الحالي محاولة مبكرة لاختبار تأثير الآليات الداخلية لحوكمة الشركات وتأثيرها على رأي المراجعين عن تقرير حوكمة الشركات. ويساهم البحث في توسيع وإثراء الأدبيات الحالية المتعلقة بالعلاقة بين حوكمة الشركات والمراجعة.

الكلمات المفتاحية: حوكمة الشركات، رأي المراجع، لجنة المراجعة، حوكمة مجلس الإدارة، الأسواق الناشئة.