Assurance of integrated reports: An exploratory study from Egypt

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Abstract

The purpose of the study is to investigate the extent of the presentation of integrated reporting as well as the provision of assurance of integrated reports by external auditors in Egypt. The research issues under study are informed by the stakeholder and institutional perspectives. Methodologically, we used the questionnaire instrument to collect data from external auditors registered on the Egyptian Financial Regulatory Authority (FRA). In general, we found a limited provision of integrated reports as well as assurance of this kind of reports by Egyptian public companies. This was mainly found to be ascribed to the non-obligation of local companies to issue integrated reports and to solicit external auditors to provide assurance of these reports, as well as the lack of professional standards and guidelines that empower accountants and auditors to do so. The study has implications for local regulatory and business organizations –it directs their attention to the extant gap in the practice of integrated reporting in Egypt, and hence to the actions required by regulatory bodies to reap the awaited benefits of adopting integrated reporting as outlined in the literature.

Key Words:

Integrated reporting, Assurance services, Egypt, Non-financial information.

التوكيد المهني علي التقارير المتكاملة: دارسة من الواقع المصري

تهدف الدراسة الي فحص ودراسة مدي أمكانية تطبيق مفهوم التقرير المتكامل في البيئة المصرية بالإضافة الي امكانية تقديم خدمة التوكيد المهني علي تقرير الاعمال المتكاملة من خلال مراقبي الحسابات في مصر. وقد تم تناول الدراسة من منظور نظرية اصحاب المصالح والنظرية المؤسسية. وقد اعتمدت الدراسة علي أداة قائمة الاستقصاء لجمع البيانات من مراقبي الحسابات المسجلين بالهيئة العامة للرقابة المالية في مصر (FRA). وقد أظهرت الدراسة ان تبني مفهوم تقارير الاعمال المتكاملة في مصر يتم بصورة محدودة وغير منتظمة، كما أظهرت نتائج الدراسة ان نوع التوكيد المهني الذي يتم توفيره علي تقارير الاعمال المتكاملة هو توكيد محدود. ويرجع السبب وراء التطبيق المحدود للتقرير المتكامل في مصر الي عدم الزام الشركات المقيدة بالبورصة بتطبيق هذا التقرير. كما ان النقص الواضح في المعايير والارشادات المهنية التي يستند اليها مراقبي الحسابات ادي الي توفير توكيد محدود علي تلك التقارير. وترجع اهمية الدراسة الي اسهامها في لفت انتباه المهتمين بمهنة المحاسبة والمراجعة في مصر الي حجم الفجوة الموجودة في ممارسة وتطبيق مفهوم تقارير الاعمال المتكاملة داخل جمهورية مصر العربية، الامر الذي يستدعي ضرورة اتخاذ مجموعة من الاجراءات التنظيمية التي تهدف الي تشجيع الشركات علي تبني مفهوم التقرير المتكامل للحصول علي النتائج الايجابية المرتبطة بتحسين جودة المعلومات المحاسبية لأصحاب المصالح.

الكلمات المفتاحية: التقرير المتكامل، خدمات التوكيد المهني ، جمهورية مصر العربية ، المعلومات غير المالية.

1. Introduction

Academic research is proliferating on the documentation and analysis of non-financial reporting. Many studies are clearly indicating how non-financial reporting and disclosures relating to environmental, social and governance (ESG) performance are increasingly becoming the norm for global multinational corporations in many contexts (Camilleri, 2015a,b; Idow et al., 2013; Ioannou and Serafeim, 2016). However, such reported content was criticized as inadequate to reveal the whole picture of the organizations' performance (Schaltegger & Burritt, 2010).

As Brown and Dillard (2014) argue, there is a mounting recognition that fundamental changes in socio-technical systems, including accounting, are required if such issues are to be addressed. Accounting practices cannot be kept apart from this critical issue if we are to face the present challenges and reap the benefits they can bring up to businesses. This issue has inevitably led to the development of integrated reporting (IR) guidelines (Adams, 2015; Adams and Frost, 2008). Recently, the International Integrated Reporting Council (IIRC) has formalized its guidelines on financial and non-financial disclosures. And its international framework for integrated reporting has also been promoted as a solution to the shortcomings in corporate reporting (Dumay et al., 2016; Cheng et al., 2014; IIRC, 2013). Integrated reporting sought to offer a broad picture of the modern organizations by shifting away from stand-alone financial statements, sustainability or social responsibility reports, towards a document that communicates a holistic picture of the organizations' value creating activities.

It is believed that the crucial value of integrated reporting can become more apparent if an assurance service is solicited to review the quality of this kind of reporting. Regrettably, the market for assurance services in this area is in its formative stages. Yet, this auditing practice is evolving rapidly across different countries. And a greater number of organizations started to rely on assurance engagements in order to improve the credibility and transparency of disclosed environmental, social and governance information.

Despite these developments, academic research on these novel forms of non-financial assurance services has been scarce so far. Moreover, there is limited understanding of the nature and extent of this emergent auditing practice, especially in emergent markets such as Egypt (Adams and Evans, 2004; Asif et al., 2012; Moroney et al., 2012).

Further, it is observed that reporting requirements have evolved separately, and differently, in various jurisdictions. This has significantly increased the compliance burden for the growing number of organizations that report in more than one jurisdiction and made it difficult to compare the performance of organizations across jurisdictions. Thus, this study supports the investigation of IR in various contexts. It is generally noticed that studies in this regard are primarily focusing on advanced and stabilized settings (e.g. Reimsbach et al., 2017), and there are limited number of studies which address this issue in emergent markets or peripheral economies. This study sheds some light on the status of integrated reporting through addressing the assurance of IR in a less-developed African country–Egypt.

Thus, the main objective of this study is to explore the current situation of IR in Egypt and the role of auditors towards this type of report. In particular, this study is primarily concerned with two specific issues: the integration of sustainability information with financial information (i.e. integrated reporting) and the provision of external assurance of IR (Erkens et al. 2015; Peters and Romi, 2014).

The paper is structured as follows. Section 2 presents an overview of what the concept of integrated reporting means. Section 3 discusses the theoretical perspectives informing the current research questions. Section 4 explains how the issue of assurance of IR is presented in the literature and how assurance of IR can add value to this kind of reporting. Section 5 outlines research methods. Section 6 presents the results of the study. Finally, section 7 presents the concluding remarks of the study.

2. Integrated reporting

Reports which are only based on financial information do not provide sufficient insight to enable stakeholders to form a comprehensive picture of the organization's performance and of its ability to create and sustain value, especially in the present context of growing environmental, social and economic challenges. This resulted in a recent shift in emphasis from a predominantly financial focus of the past to a wide and more inclusive approach of doing business in the future, moving away from the single bottom line (i.e. profits at any cost) to a triple bottom line that embraces the economic, environmental and social aspects of a company’s activities. In other words, this led to a report that integrates sustainability reporting together with financial reporting, i.e. integrated reporting.

The International Integrated Reporting Council was founded in 2010 by the Global Reporting Initiative (GRI). IIRC is composed of investors, managers, regulators, and others in the accounting profession, and its objective is to create a globally accepted reporting model that includes the integration of financial data with sustainability information (Linda et al., 2014). IIRC sought to develop a reporting framework that brings together—in a clear, concise, consistent, and comparable format—the information necessary to more accurately assess corporate value. The ultimate objective was to move toward a more sustainable global economy (IFAC, 2011).

With the aim of providing a better understanding on integrated reporting and its benefits, a common framework (IIRC, 2013b), was developed by the International Integrated Reporting Council. The International Integrated Reporting Council has brought together world leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society and standard-setting sectors to develop a new approach to reporting. This approach, they argue, will meet the needs of today's companies. It builds on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence. The IIRC tried to forge a global consensus on the direction in which reporting needs to evolve. The created framework for reporting, they argue, is able to better accommodate complexity through bringing together the different strands of reporting into a coherent, integrated whole.

The main objective of the IIRC Framework is to provide a common reporting base, by defining the fundamental concepts regarding integrated reporting and by establishing guiding principles and content elements that should be found in an integrated report (IIRC, 2013b). The fundamental concepts depicted in the framework are the value creation process over short, medium and long term and the Six Capitals –financial, manufactured, human, natural, intellectual, and social-relational. IIRC Framework (2013b) has other objectives: it provides adequate information in order to respond to investors' information needs by offering a detailed presentation regarding the organization's decision making process as well as its consequences; it also highlights the interconnections between environmental, social, governance and financial factors in decisions that influence long-term performance and conditions –an integrated report presents the connection between sustainable development and economic value; it also highlights long-term performance indicators, not only short-term results; and finally it increases the disclosure of information by presenting data used by management in everyday decisions (IIRC, 2011).

Integrated reporting is a new reporting paradigm that encourages companies to provide a concise, holistic account of corporate performance based on a "multiple capitals" approach that outlines an organization's value creation process over the short, medium and long terms. As indicated earlier, integrated reporting reveals a business' relationship with six key forms of capital – financial, manufactured, intellectual, human, social, and natural capital. It takes a forward looking approach and asks that those charged with governance agree that the company has assessed its strategy and performance against the most material issues identified in conjunction with its stakeholders. Salient elements of integrated reporting include reporting on a company's business model, promoting understandings of the interdependencies between financial and non-financial aspects of a company's strategy, and disclosure of material opportunities and risks.

According to IIRC (2013b), an integrated report is a concise communication of how an organization's strategy, governance, performance and outlook in the context of its external environment leads to short, medium and long-term value creation (IIRC, 2013b). The definition provided by the IIRC Framework (2013b) became the main support for the integration of financial and non-financial items. Moreover, the definition highlights the elements of "architecture" of an integrated reporting system, intended to facilitate the understanding of the activities that occur within a company (Oprişor et al., 2016).

Hence, integrated reporting seeks to align relevant information about an organization's strategy, governance systems, performance, and future prospects in a way that reflects the economic, environmental and social environment within which it operates. The goal is to give a comprehensive picture of the organization, thus helping management, investors and other stakeholders make better-informed decisions. This would include, for example, considering the relationships between a company’s various operating and functional units, the financial and non-financial capitals that a company uses and affects, and the relevance of those factors in demonstrating how value is created. This kind of reporting would prompt companies to think about their reporting in an integrated manner (PWC, 2013). This, in turn, is expected to lead to stronger cross functional communications, more productive dialogue among employees at all levels across business activities and more meaningful dialogue with external stakeholders (PWC, 2013).

It is also necessary to highlight that integrated reporting is more than sustainability reporting. In fact, high quality sustainability reporting is an important part of integrated reporting. Integrated reporting focuses on future outlook as well as historic performance in order for businesses to communicate how they are placed to create value taking into account their strategy and business model. In this sense, it can be described as an accounting change initiative, reflecting broad and longer-term consequences of the decisions organizations' decisions.

A growing number of recent archival studies concentrate on the link between IR implementation, IR quality and market reactions (e.g. stock liquidity, analyst forecast accuracy and firm valuation) (see e.g. Barth et al. 2016; Lee and Yeo, 2015). However, we believe that these results are context-specific. Thus, we support the investigation of IR in various contexts. This is because reporting requirements have evolved separately, and differently, in various jurisdictions. This has significantly increased the compliance burden for the growing number of organizations that report in more than one jurisdiction and makes it difficult to compare the performance of organizations across jurisdictions. In this study we investigate the application of IR in a LDC –Egypt.

2.1 Towards an integrated reporting approach in the Egyptian context

The Egyptian Stock Exchange (EGX) has always been supportive to any initiative that enhances the level of transparency and corporate governance in the market place. In February 2014, for example, a new set of EGX Listing rules were introduced. The new rules addressed, among other things, the necessary disclosure regarding the use of proceeds of the capital increase, the board of directors' independence as well as the related party transactions. Further amendments and additions were integrated in the listing rules during the year 2015 to ensure a wider application of corporate governance and more investors' protection.

In 2016, the Egyptian Financial Supervisory Authority (EFSA) issued an updated version of Egypt's code for corporate governance, which provides comprehensive guidelines on the disclosure of financial and nonfinancial information and gives a special emphasis on the role of the board of directors and its committees as well as the regulatory framework and the companies' codes and policies that should be in place to ensure a proper implementation of corporate governance best practices.

EGX started the journey of sustainability back in 2009 and was one of four pioneer exchanges that joined the United Nations' Sustainable Stock Exchanges initiative in 2009. The aim of the initiative was to increase exchange-listed companies' transparency and commitment to environmental, social and corporate governance issues. Sustainable Stock Exchanges initiative offers a unique platform for multi-stakeholder

learning and exchanges to take a leading role in creating a more sustainable and inclusive economy.
Sustainability has then become part of EGX Strategy. For example, one can clearly observe that community aspect has become a key determinant in all decisions of the stock market. This is believed to make the economy more efficient, more sustainable and more globally competitive. Within this context, EGX launched its S&P EGX ESG index in March 2010 as the first & only ESG index in the Middle East and North Africa Region. It was designed to track the performance of companies listed on EGX that demonstrate leadership in environmental, social and corporate governance issues.

The Year 2016 can actually be considered as the year of sustainability for EGX, where it joined the United Nations Global Compact (UNGC) and signed the Women's Empowerment Principles. Then, EGX formed a Sustainability Advisory Committee, with the majority coming from market participants, whose main goal is to issue a Model Guidance for the sustainability report for listed companies, as well as setting the criteria for green finance. EGX has also issued the first Model Guidance for reporting on ESG for listed companies (EGX Model Guidance for Reporting on ESG Performance and Sustainable Development Goals) and has organized a number of workshops to introduce the concept of sustainability, its importance and the main components of the sustainability reporting.

Moreover, EGX has also signed the United Nations' initiative for Global Investor Statement on Climate Change as well as the Marrakech Pledge for fostering Green Capital Markets in Africa. The Exchange has also joined the "Green Finance Advisory Group", established by Sustainable Stock Exchanges initiative, which came within the exchange's commitment to promote sustainability. Another equally important initiative launched by EGX to further support sustainability concepts in the Egyptian market was the establishment of EGX Sustainability Foundation to serve the Egyptian society by unifying efforts of all market participants in social activities. Further, EGX, in collaboration with its Sustainability Advisory Committee, introduced its first report on ESG performance in accordance with the GRI-G4 guidelines. The report mainly focused on two key pillars: energy efficiency measures and gender equality. EGX Sustainability report represents an important step towards raising awareness of the importance of sustainability reporting in the Egyptian capital market.

3. Integrated reporting from a theoretical perspective

3.1 Integrated reporting from the stakeholder perspective

As indicated above, financial reporting on its own provides an important, but limited, view of company performance. It does not satisfy the requirements of all stakeholders who wish to see management's assessment of the organization's future viability against environmental, social and governance criteria as well. Sustainability reports, on the other hand, have suffered weaknesses, usually appearing disconnected from the organization's financial reports, generally providing a backward-looking review of performance, and almost always failing to make the link between sustainability issues and the organization's core strategy.

However, stakeholders are increasingly considering internal and external non-financial factors, such as resource scarcity or demographic shifts, when assessing companies' long-term prospects. This will help stakeholders understand how a company creates and sustains value over the long-term (Druckman, 2013). Stakeholders today want forward-looking information that will enable them to more effectively assess the total economic value of an organization.

In other words, there is a gap between the information currently being reported by companies and the information investors, for example, need to assess business prospects and value. Integrated reporting can help fill this gap by providing a basis for companies to explain their value creation more effectively to the capital markets. Integrated reporting can provide stakeholders with additional information which can help them make more informed assessments of companies and their long-term prospects. Integrated reporting can help stakeholders look beyond companies' short-term results to form clearer views on long-term value, which can lead to improving of their decision making process.

3.2 Integrated reporting from an institutional perspective

Corporations' responsible behaviors have often been triggered by socio-political forces and pressure groups. The different perspectives of the institutional theory (e.g. old institutional economics, new institutional sociology and legitimacy) explain how certain processes become established as authoritative guidelines for societal behaviors. Very often, structures and institutions are created, diffused, adopted, and adapted over space and time; and eventually they may also fall into decline and disuse. Unlike the efficiency-based theories which focus on profit maximization, or on the interactions between markets and governments; the institutional theory considers a wider range of variables that could influence the decision-making processes in organizations, including their span of control, job programmability and compensation policy, among others (Trevino, 1986).

The institutional theory offers promising ways of investigating what lies at the heart of the publics' concern (Brammer et al., 2012). It clarifies how firms respond to their surrounding environments where they operate. Different institutions such as governments, regulatory authorities, non-governmental organizations (NGOs), and organizations within the supply chain can exert their influence on any business. corporations are influenced by the institutions' ethos, voluntary principles, policies and programs (Camilleri, 2015a).

The institutional theory's applications have expanded even further. Research shows how the institutions can affect organizational behaviors, including corporate social responsibility issues. Historically, the notion of CSR has emerged from the institutionalized forms of social solidarity that have emerged from liberal market economies.

Integrated reporting can result in an organization being able to communicate in a clear, concise way how it is drawing on all the resources and how it utilizes relationships to create value over the short, medium and long term (Druckman, 2013). This trend has political, social and commercial implications. Today's businesses are being forced to react to these changes and challenges in order to remain successful. Undoubtedly, numerous institutions plays a dynamic role, both individually and collectively in the development of integrated reporting. While governments have been the primary force for the promotion of financial reporting standards through security exchange commissions; other institutions like IIRC and GRI have facilitated the growth and diffusion of sustainability reporting, non-financial reporting or integrated reporting. As explained in section 2, IR can enhance an organization's image as a good corporate citizen (O'Donovan, 1999). IR may therefore connect an organization to the society in which it operates, facilitating its (continued) legitimization. Legitimacy theory suggests that IR primarily serves to legitimize an organization's activities (Deegan et al., 2002), suggesting that an organization is motivated to publish an integrated report to conform to society's objectives (Velte and Stawinoga, 2017).

For the time being, there is a growing demand for the integration of financial and ESG disclosures by marketplace stakeholders (Camilleri, 2015a,b). Current corporations are continuously engaging with external institutions, such as multi-governmental organizations, social and environmental NGOs. It is in their interest to be accountable and transparent about their behavior with regulators, industry players and stakeholder groups, as well as, with standard-setting organizations (Camilleri, 2015a). These organizations must conform to norms and rules that are prevailing in their operating environment (Scott, 1995). Their compliance with the institutions' formal regulations will earn them legitimacy among stakeholders (Dacin, 1997; Deephouse, 1996; Suchman, 1995).

4. Assurance of integrated reports

External auditors have a responsibility to investigate the accuracy and fairness of assertions made in integrated reports. They provide a conclusion on whether we can depend on the nonfinancial information reported on the report, and a view of the degree of firms' compliance with the related principles and standards.

On their decisions or opinions regarding management assertions presented in integrated reports auditors can rely on: the international assurance standard number ISAE3000; the international professional standard number AA1000As; the international assurance standard number ISAE 3410 (related to assurance on greenhouse gases); the responsibility standard number AA1000APS; GRI guidelines; enrollment requirements for in ESG index; and IIRC guidelines.

An assured report can provide an organization's stakeholders with a greater sense of confidence in disclosures. The literature focuses on assurance of sustainability reporting. Several studies consistently found a positive effect of sustainability assurance on the perceived reliability of the respective information for report users (Brown-Liburd & Zamora, 2014; Hodge, Subramaniam, & Stewart, 2009; Pflugrath et al., 2011). That is external assurance of sustainability information was reported to improve its credibility (Kolk & Perego, 2010; O'Dwyer, 2011; Brown-Liburd & Zamora, 2014; Pflugrath, Roebuck, & Simnett, 2011).

In this regard, Arnold et al. (2012) showed an anchoring bias influences the assessment of sustainability information that is provided in a stand-alone sustainability report, and an integrated report may help to avoid distorted valuations, thus serving as a debiasing tool. In investigating how the choice of reporting format interacts with the voluntary assurance of sustainability information, Reimsbach et al., (2017) underlined the important role of assurance in the context of voluntary disclosure.

The full value of integrated reporting can be realized when some assurance is provided on the report. For example, assurance of IR can mitigate information asymmetry with institutional creditors (Blackwell et al., 1998; Carey et al., 2000). It is the audit that makes reports reliable and comparable. Consequently, to make integrated reports more reliable and comparable as financial reports, an integrated assurance opinion will have to be provided. As Eccles, et al., (2012) point out, reliability comes from the fact that the user knows that an objective third party has carefully reviewed the reported figures and ensured that the report has been prepared according to the relevant accounting standards.

Thus, independent assurance of integrated reporting is necessary to build credibility and establish trust between stakeholders, and to increase its value and usefulness (Ackers, 2009; Jones and Solomon, 2010; Mamatt, 2009b). Moreover, this assurance can result in improving stakeholder communication. Assurance processes may involve the review of a reporter's stakeholder engagement processes. That is, some organizations use their reporting processes such as sustainability reporting as the basis for on-going dialogue with stakeholders. This will help promote mutual communication and understanding (AA1000AS, 2008).

In spite of the significant value that assurance services of integrated reports can provide to stakeholders, these services are still not widely provided. For example, in South Africa, where integrated reports are being widely presented, the assurance of integrated reports is reported to be limited to selected sustainability indicators. This limitation in part is ascribed to the challenges this issue is facing. These challenges stand in the way of reaching mature assurance practices of integrated reporting (Cheng et al., 2014). Challenges include liability concerns of the major accounting firms (Eccles et al., 2012), and the non-consensus around what a "true and fair" integrated report is (Eccles et al., 2012).

These effects, however, seem to us to be context-specific and more pronounced when sustainability-related performance is positive (Brown-Liburd & Zamora, 2015; Coram, Monroe, & Woodliff, 2009). In this study, we contribute to literature by investigating the level of assurance of IR in another/different context –Egypt.

5. Research methods

The population of the study consists of external auditors registered on the Egyptian Financial Regulatory Authority (FRA). They were around 500 at time of conducting this study, of which 150 were randomly selected and approached to conduct the study. We used the questionnaire instrument as the method of data collection. 150 questionnaire lists were sent to respondents and 106 questionnaires were returned with a response rate of %71.6. The level of education of respondents varied from Bsc, Msc, professional certificates to PhDs. Respondents' positions included junior auditors, senior auditors and audit managers: so their level of experience varied from less than 5 years to more than 20 years.

As noted in the introductory section, in this study, we aim to explore the current situation of integrated reporting in Egypt and the role of external auditors towards this type of reports. Our questions investigated: to what extent IR is currently presented by public corporations in Egypt; the provision of assurance service by external auditors on the existing integrated reports; the adequacy of the financial disclosures for local users; the adequacy of the current local assurance standards for auditors to provide assurance of integrated reports; and the factors influencing the provision/lack of provision of IR and assurance of integrated reports in Egypt.

6. Data analysis and results

As above, this study investigates the status of integrated reporting and assurance of integrated reports in Egypt. To analyze the data captured through surveys, we use some descriptive statistical techniques such as frequency (Freq.) analysis, mean, standard deviation and coefficient of variation.

Our results indicate that the presentation of financial information alone by Egyptian companies is considered inadequate (Table 1). This indicates that financial reports alone are no longer enough to present corporate performance and there is a need for disclosure of non-financial information such as sustainability, corporate governance and risk management issues that better indicate to corporate behavior/performance. This kind of information is necessary for stakeholders to make the rightful decisions.

Table 1: The need for financial and non-financial information

Statement	Mean	Standard deviation	Coefficient of variation
Do you agree that financial disclosures are no longer enough to make investment decisions and that there is a current need for non-financial disclosures on annual reports than before?	3.88	.709	18.27

To attend to the value of IR as perceived by Egyptian companies, we investigated the importance of a company's disclosure of nonfinancial information along with financial information. Respondents indicated to the inadequacy of the financial information to denote firm value. Their response shows also that the companies that have more economic, social and environmental contributions enjoy more sustainability and profitability in the long run. Further, they indicate, the disclosure of nonfinancial information in a separate report does not receive the required attention from the side of users. These findings recorded coefficient of variations of 15.67%, 16.90%, and 17.43 % respectively, as shown in Table 4.

Respondents also agree, but with lower degree, on the following: the benefits of making disclosure regarding sustainability-related issues outweigh the costs of such disclosure; the prospective investors and financial analysts are currently concerned with companies' sustainability performance more than before; and the disclosure of financial and nonfinancial performance in the form of integrated reports helps rationalize the decisions of stakeholders. These findings recorded coefficient of variations of 18.27%, 18.61%, and 18.90% respectively, as shown in Table 2 below.

Table 2: The importance of presenting financial and nonfinancial information in the form of integrated reports

Statement	**Mean**	**Standard deviation**	**Coefficient of variation**	**Order**
The prospective investors and financial analysts are currently concerned with companies' sustainability performance more than before	4.42	.823	18.61	5
Companies that have more economic, social and environmental contributions enjoy more sustainability and profitability in the long run	4.26	.720	16.90	2
Disclosure of financial information in financial reports is inadequate to denote firm value	4	.627	15.67	1
The disclosure of nonfinancial information in a separate report does not receive the required attention from	3.98	.694	17.43	3

the side of users				
The benefits of making disclosure regarding sustainability-related issues outweigh the costs of such disclosure	3.88	.709	18.27	4
The disclosure of financial and nonfinancial performance in the form integrated reports helps rationalize the decisions of stakeholders	4	.756	18.90	6
Weighted average	4.09	.552	13.51	_

The above results show that the respondents, in general, agree on the importance of a company's disclosure of financial information along with financial information in a form of integrated report with an average mean of 4.09 and an average coefficient of variation of 13.51%.

However, it is generally indicated that the provision of assurance services of non-financial information in general and of integrated reports in specific in the Egyptian market is limited: around 58% of auditors do not provide assurance of integrated reports (Table 3). This is consistent with Aly (2012) who reported that only dispersed, non-standardized, practices of integrated reporting by Egyptian companies which do not follow specific models or guidelines: they make some financial disclosures and focus on non-financial disclosures. He finds that integrated reports are applied in polluted industries as well as non-polluted ones.

Table 3: Assurance of IR in Egypt

Statement	**Yes**		**No**	
	Freq.	**Freq. as %**	**Freq.**	**Freq. as %**
Do you currently provide assurance of IR?	24	42%	33	58%

We also investigated the reasons of the present limited provision of assurance of integrated reports by Egyptian public companies, as shown in Table 4 below

Table 4: The reasons for the limited assurance of IR in Egypt

Reason	**Freq.**	**Freq. as %**
Lack of understanding of what integrated reports are because of the lack of their application in the local business environment.	10	14.2
The lack of presentation of comparable acceptable accounting practices and disclosures in relation to IR.	15	21.4
The inadequacy of qualified auditors to provide assurance of IR.	5	7.2
The non-obligation of firms registered on the stock exchange to disclose their information in the form of integrated reports.	19	27.2
The non-obligation of firms registered on the stock exchange to provide assurance of their integrated reports.	8	11.4
The inadequacy of current local auditing standards to provide assurance of IR in Egypt.	13	18.6

As the reported results indicate, the reasons of the lack of provision of assurance of integrated reports in Egypt can be ordered as follows:

1. The non-obligation of firms registered on the stock exchange to disclose their information in the form of integrated reports.
2. The non-existence of acceptable and comparable accounting practices and disclosures in relation to IR.
3. The inadequacy of current local auditing standards to provide assurance of IR in Egypt.
4. Lack of understanding of what integrated reports are because of the lack of their application in the local business environment.
5. The non-obligation of firms registered on the stock exchange to provide assurance of their integrated reports.
6. The inadequacy of local auditors to provide assurance of integrated reports.

It is also observed that the present (limited) assurance of integrated reports in Egypt is conducted according to the international assurance standard number 3000. This is mostly done by foreign assurance companies – that is, most local assurance offices do not provide this relatively new service. As above, this is found to be ascribed to: the non-obligation from the side of the Egyptian Financial Regulatory Authority on companies registered on the stock market to issue IR or present assurance report on their integrated reports; the inadequacy of the current auditing standards are not enough to provide assurance on IR; and the lack of comparable accounting practices in relation to the non-financial information contained in integrated reports which can be measured or evaluated.

The limited provision of assurance of IR in Egypt does not mean that local external auditors are unaware of their responsibility concerning the management assertions presented in the integrated report. It is found that external auditors generally agree on their responsibility towards evaluating such assertions with an average mean of 4.08 and an average coefficient of differentiation of 16.05% (Table 5).

Table 5: The responsibility of external auditors regarding management assertions presented in the integrated report

Statement	Mean	Standard deviation	Coefficient of variation	Order
Auditors are responsible to investigate the degree of reliability and fairness of the preparation and presentation of the integrated report according to IIRC framework and GRI guidelines.	4.35	.744	17.10	1
Auditors are responsible to present recommendations regarding the degree of the company's compliance with AA1000As professional auditing standard	3.95	.766	19.39	3
Auditors are responsible to reach a conclusion regarding the dependability upon the nonfinancial information presented in the report	3.96	.706	17.82	2
Weighted average	4.08	.656	16.05	_

As the above table clarifies, the Egyptian auditors are aware of their responsibility regarding evaluating the financial and nonfinancial information presented in integrated reports, and this responsibility can be reported in the following order: investigating the degree of reliability and fairness of the preparation and presentation of the integrated report according to IIRC framework and GRI guidelines; reaching a conclusion regarding the dependability upon the nonfinancial information presented in the report; and presenting recommendations regarding the degree of the company's compliance with AA1000As professional auditing standard.

Considering the above findings, it is concluded that there is a need for developing local accounting and professional standards, and guidelines in the Egyptian business environment. Further, it is observed that the local companies that issue sustainability reports almost do that in a separate form. And this happens voluntarily – that is companies are not required or obliged to issue sustainability or integrated reports (Aly, 2012).
To encourage more presentation of integrated reports in the Egyptian business environment and to increase the usefulness of these reports to local users, we suggest that the presentation of integrated reports and the assurance of these reports therein should be mandatory on the public companies registered on the Egyptian stock exchange. And this should be overseen by the local Financial Regulatory Authority.

7. Concluding remarks

It is widely recognized that corporate reporting is greatly influenced by social, political, cultural, legal, economic and technological factors. These contextual factors play an important role in understanding IR practices. This suggests that there is a relationship between disclosure practices and culture of a nation (Akman, 2011; Haniffa and Cooke, 2002). Thus, IR can mean different things to different people or in different contexts. This view is consistent with the institutional perspective (Section 3.2) which suggests that IR efforts are contingent upon the institutional element which is embedded in the national, political economic system. This, in turn, invites accounting researchers to address IR practices in different contexts to attend to the intermediary role of the local culture therein.

However, most of the literature is conducted in the context of Western and newly industrialized Asian countries such as Malaysia and Singapore. And very few studies are conducted in African emergent markets. Yet, the literature on Africa is heavily focusing on South Africa (Visser, 2006). Many scholars have acknowledged that despite the Western-centric nature of the numerous studies, there is still a dearth of studies in this part of the world. This scarcity has triggered the curiosity to understand IR practices in diverse contexts with enormous economic, social, and political variances (Jamali & Mirshak, 2007).

A growing number of recent studies focus on the link between IR implementation, IR quality and market reactions (See e.g. Barth et al. 2016; Lee and Yeo, 2015). However, as above, we believe that these results are context-specific. Thus, we support the investigation of IR in various contexts. In this study we investigate the application of IR in a LDC –Egypt. Egypt is chosen as the country for study because of the rapid growth of the Egyptian economy compared with other emerging economies (Elsayed and Hoque, 2010). As Samaha and Dahawy (2010) argue, Egypt has taken major steps in economic reform, improving investment climate and attracting local, regional and foreign direct investments. In addition, as Abdel Shahid (2003) argues, the Egyptian stock exchange is prepared for the globalization era. Therefore, we expected that the Egyptian companies are more likely to learn from international experience and to use IR to attract more foreign investors.

Integrated reporting has attracted attention of both academics and practitioners. Particularly, the concept of integrated reporting gathered momentum after the launch of the International Integrated Reporting Council's Integrated Reporting Framework in 2013. Contrary to the conventional organizational reporting that has been criticized for its backward-looking approach, integrated reporting focuses on integrated thinking and future orientation. This enhances value creation in the short, medium and long terms.

The purpose of this study is to investigate the opportunities and challenges related to the adoption of (assurance of) integrated reporting by Egyptian organizations. It provides an overview of the extent of integrated reporting undertaken by Egyptian publicly listed companies as well as the provision of assurance service regarding this inclusive kind of reporting. Our study contributes to literature by investigating if/how companies in an emergent market – the Egyptian market – are developing and implementing integrated reporting. In doing so, we clarified the drivers for/obstacles of (assurance of) integrated reports in such social and traditional settings.

It is generally observed that IR application in Egypt is in its infancy stage (Aly, 2012). This is unlike the case of South Africa which seems to be a leading country in the implementation of integrated reporting (Ernst & Young, 2012). In 2010, for example, the Johannesburg Securities Exchange made the integrated report a requirement for all listed companies. And this crowned South Africa as the first country to require Integrated Reporting on large scale (SAICA, 2013).

The study also stresses how assurance service is considered necessary to align relevant information about an organization's strategy, governance systems, performance, and future prospects in a way that reflects the economic, environmental and social environment within which it operates. The ultimate goal of providing this service is to ensure the presentation of a comprehensive and fair picture of organizational performance, thus helping management, investors and other stakeholders make better-informed decisions.

It is observed also external auditors have a responsibility to investigate the accuracy and fairness of assertions made in integrated reports. In doing so, they can rely on the GRI and the general framework guidelines of IR. Their conclusion can help investors and other stakeholders decide whether they can depend on the nonfinancial information reported on the report. Auditors' opinion regarding integrated reports gives a view of the degree of firms' compliance with principles noted in the assurance standard number AA1000As. The standards that auditors can rely upon in their auditing of IR include also: the international standard for assurance tasks number ISAE3000; the international assurance standard number ISAE 3410 related to assurance on greenhouse gases; responsibility standard number AA1000APS; GRI guidelines; and enrollment requirements in ESG index.

Sustainability-related practices rest on the dichotomy between the corporations' voluntary engagement and their socially binding responsibilities (see Brammer et al., 2012). The fact that environmental, social and governance disclosures are 'voluntary' is a clear reflection of the practicing organizations' institutional context. Alternatively, IR may be driven by legal, customary, religious or other defined institutions (see Camilleri, 2015a). For the Egyptian business environment, to reap the benefits of IR (section 2), we believe that (assurance of) IR should be mandatory for listed companies to issue integrated reports. Moreover, we suggest the development of an index listing and ranking companies on the stock market in terms of the quality of their integrated reports. This index will be an extension to the relatively new Egyptian ESG index (S&P/EGX ESG Index), which lists and ranks the best 30 companies in terms of their social, environmental and governance disclosures. Comparable with the positive economic performance of the companies listed in the ESG index in contrast to ousted companies (See Eldomiaty et al., 2016), we believe that companies listed in the proposed IR index will perform better than non-listed companies. This issue can be addressed in detail in future research.

This study has practical implications for the local business environment. It provides indications to assurance standards setters, such as IAASB, to develop assurance guidelines, methodologies or standards of integrated reports to suit less-developed settings such as Egypt. Further, this study encourages local companies to provide assurance of IR. It sees that this service can have positive implications for corporate performance. But for these implications to be attained a set of issues need to be considered: for example, updating the local assurance standard number 3000 to cope with its international counterpart; developing the necessary guidelines for auditors to provide the required competent professional practice; and mandating the companies registered on the Egyptian stock Exchange by the Egyptian FRA to provide integrated reports and to solicit assurance services on these reports.

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