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The Effect of Forward-Looking Information Disclosure on Audit Effort: An Empirical Study from Egypt.

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Abstract

This study examines whether firms that appear to disclose forward-looking information more strongly in their reports are more likely to make higher audit Efforts than firms without such disclosure. Data are extracted from the annual reports of 40 companies within the EGX30 index from 2018 to 2023, content analysis method was used to define the reality of Forward-Looking Information Disclosures (FLID) level in annual reports of these companies, which included different sectors. and The data on auditor's fees indicating the auditor's effort are extracted from the General Assembly of Shareholders Minutes of the Egyptian Stock Exchange website from 2019 to 2024. The results indicate that FLID positively affects an audit effort. This study has important implications for improving disclosure levels by developing an index to define FLID levels in companies' annual statements and reports. this study may also increase the interest of companies' board of directors in Forward-Looking Information (FLI), which increases the requirements and efforts made by the external auditor to examine this information, especially since it is non-mandatory information, and can help Board of Directors and General Assembly of Shareholders determine auditors' fees and efforts based on the level of FLID, which makes them more interesting on FLI auditing, and encourages them to develop the auditing process and improve its quality, In addition, it increases the interest of annual reports users for Egyptian companies on FLI to benefit from it in improving their various decisions. This study is one of rare studies that examine the effect of FLID on an audit effort, especially in Egyptian companies. This study adds to literature on determinants of FLID in reports. its results can be used to provide further studies and research.

keywords: forward-looking information disclosure (FLID); auditor's effort; Egyptian companies' annual reports; and Minutes of the General Assembly of Shareholders.

1. introduction

The demand for information among investors has grown beyond traditional historical data, Investors now seek additional future-oriented information that helps them make more informed investment decisions. By providing forward-looking non-financial and financial information, stakeholders gain a comprehensive understanding of a firm's performance and value-creation potential, supporting their decision-making process (Eman, 2020).

Most Studies, professional institutions, and organizations are interested in future information and its disclosure. At an international level, the Board of International Standards of Accounting (IASB) issued in 2010 the Standards of International Financial Reporting "Guidance for Management Comments" to encourage business entities to publish additional information in financial statements containing future information (IASB, 2010). Board of Financial Accounting Standards (FASB) also confirmed in its statement No. 8 of 2016 on a conceptual framework of financial reports that the quality and effectiveness of financial reports depend on their ability to supply information to users about cash flows of future and expectations about future events.

The stock exchanges in China (Tan, et al 2015) and Turkey (Uyar & Cilic, 2012) also issued legislation requiring companies to disclose forward-looking information. At the local level, the Central Auditing Organization in Egypt issued the Egyptian Auditing Standard (No. 3400) entitled: Selecting Forward-looking Information to provide Guidance for auditors to Explains an opinion on FLI. The Egyptian Corporate Governance Guide issued by the Egyptian Institute of Directors affiliated with the Financial Regulatory Authority in Egypt in August 2016 to an importance of disclosing material non-financial and financial information that is interest to current and potential investors, as: company's objectives, vision, activity nature, plans, future strategy, opportunities and risks facing the company and how to address them.

In this context, Financial Authority, Stock Exchange, and the Egyptian Ministry of Investment have made great efforts to expand accounting disclosure by increasing the quantity and quality of financial information published in an annual statements and reports of Egyptian companies by amending the rules of delisting and listing on the stock exchange (Mahrous, 2019).

Many studies, professional institutions, and organizations are focused on audit efforts and the factors that affect them. Despite the significance of Forward-Looking Information Disclosure (FLID), there is a lack of research on how disclosing future information impacts auditor efforts, and there is no established preparing and disclosing framework for Forward-Looking Information (AlNajjar & Abed, 2014). This gap reduces the incentives of firms to disclose FLI due to potential litigation risks and reputational damage associated with inaccurate predictions of firms (Hassanein and Hussainey, 2015). Consequently, to ensure high-quality audit work and to mitigate risks of litigation, disciplinary penalties, and reputational harm (Zaki, 2015), external auditors must enhance their audit efforts. A significant factor influencing external auditor efforts is auditor fees. which refer to the payments that accounting firms receive for presenting professional assurance missions (Ye, 2020). This remuneration can incentivize auditors to exert additional effort, which may be reflected in the audit fees for the year following the annual reports that disclose the companies' future information.

This study is organized as follows: Section One presents a brief introduction to the disclosure of FLI in annual reports and the related audit efforts. Section Two presents a literature review, including an analysis and development of the hypothesis. Section Three presents research design and defines the research variables. Section Four presents and analyzes the empirical results. lastly, Section Five concludes the paper, discussing research limitations and implications for research of future.

2. literature review:

2.1 forward-looking information disclosure

Information disclosed in annual reports will be categorized into two types: past "backward-looking information" and "forward-looking (future) information" (Hussainey, 2004). The Backward-looking (past) information indicates to disclosure of past events and historical data. In contrast, forward-looking information (FLI) includes disclosures about current and future events and data. This can encompass forecasted revenues, expected earnings, future cash flow, as well as non-financial information such as risks, opportunities, and strategic plans (Aljifri & Hussainey, 2007). A study conducted by Liu (2015) indicates that disclosing future information should involve discussing the company's growth opportunities and challenges, plans for the upcoming year, strategies for achieving targeted sales and profits, initiatives to increase market share, anticipated new investment projects, as well as political and financial risks, and risks of industry and market.

Uyar & Kilic (2012) investigated forward-looking information (FLI) level disclosure on Turkish companies. Their findings indicated that disclosure level was low and predominantly qualitative. This was attributed to the tendency of most companies to report only positive information while omitting bad news. Similarly, Mathuva (2012) noted a low level of disclosure among cross-listed companies in Nairobi, Kenya. Utami & Wahyuni (2018), funded that the FLI disclosure level in Indonesia could improve if integrated reporting practices were mandated in the companies.

Several studies have investigated forward-looking information (FLI) disclosure level in Malaysia. For instance, a study by Zaini et al. (2019) found that both family-controlled and non-family-controlled companies in Malaysia exhibited minimal levels of FLI disclosure. Similarly, Embong (2014) noted that FLI was the least disclosed element compared to another information types, such as financial data and corporate social responsibility reporting. Additionally, Dzaraly et al. in 2018 found that FLI was only partially disclosed in the annual reports, rather than being fully disclosed.

Dey, P. K., et al. (2020) examined the level and content of forward-looking information disclosure, focusing on the factors that influence this disclosure in emerging and developing countries. The study analyzed annual reports from the top 30 companies listed on the Bangladesh Stock Exchange during the period from 2013 to 2017. Using multiple regression analysis, the researchers identified several determinants of forward-looking information disclosure. The study found that the global affiliation of the auditor, financial leverage, and profitability positively and significantly impact the level of forward-looking information disclosure. In contrast, both the size of the company and the number of years it has been listed negatively and significantly affect this level of disclosure. Furthermore, the independence of the board of directors was found to have no significant impact on the level of forward-looking information disclosure.

El-Deeb, A. M. (2021) aimed to identify the factors influencing the disclosure of forward-looking information in the annual reports of non-financial companies listed on the Egyptian Stock Exchange from 2008 to 2016. The study also sought to assess the

appropriateness of the value of disclosing such information. To achieve this objective, the research analyzed the content of annual reports from a sample of 40 companies using an electronic content analysis approach with the "Nvivo 10" program. This program automatically calculates the number of sentences indicating future information within the annual reports.

The study also examined the correlation between the disclosure of forward-looking information and its appropriateness for value. The most significant findings of the study indicated a substantial positive relationship between the disclosure of forward-looking information and several factors: company size, financial leverage, market risk, and industry type, which are characteristics of the company, as well as the type of auditor as a governance variable. Conversely, the results showed a significant negative relationship between the disclosure of forward-looking information and both the company's dividend distribution policies and its competitive value. Additionally, the study found no significant relationship between the disclosure of forward-looking information and profitability or liquidity, nor with governance variables such as sole proprietorship concentration, managerial ownership, board size, and CEO duality.

Although Forward-Looking Information Disclosure (FLID) is considered voluntary and not mandated, companies are still encouraged to include comprehensive FLID elements in their annual reports. Providing full disclosure of FLID helps companies build trust and confidence, thereby attracting potential investors (Dzaraly et al., 2018). Furthermore, investors increasingly demand FLID, and by meeting this demand, companies can retain their existing investors. If companies do not enhance their current level of FLID, they may struggle to keep existing investors and attract new ones (Dzaraly et al., 2018). Therefore, additional research on FLID is necessary to improve its disclosure standards. This increased attention may also engage companies' boards of directors in forward-looking information, which, in turn, raises the expectations and efforts required from external auditors to verify this information, especially since it is non-mandatory. The auditors' efforts can be assessed by examining the working hours of the audit team and the fees set by the board of directors during the shareholders' general assembly—this is the focus of this study.

Mandatory disclosure alone no longer meets the information needs of investors. The demand from stakeholders for voluntary disclosure has increased, particularly regarding future information. This additional disclosure adds depth to mandatory information, aiming for a level of transparency that is characterized by accuracy, variety, and consistency. Examples of valuable voluntary disclosures include financial forecasts, information about the company's investments in product quality improvement, details about human resources development programs, and announcements concerning research and development initiatives, as well as customer service strategies. Furthermore, voluntary disclosure positively impacts communication between management and stakeholders. It helps reduce information asymmetry among investors and enhances the overall quality of information shared.

Measuring the level of disclosure using disclosure indicators is acceptable, provided that these indicators are appropriate and based on an objective framework. According to Alam (2007), the effectiveness of disclosure indicators as a tool for assessing corporate disclosure levels relies on the careful selection of the items that constitute these indicators. The relative

importance of the disclosure elements included in the indicators can vary depending on the individual preparing them. Additionally, the level of disclosure is determined by both the quantity and quality of the information provided.

The accounting literature lacks a unified model for measuring the level of Forward-Looking Information (FLI) disclosure. Several studies, including those by Aljifri and Hussainey (2007), Uyar and Kilic (2012), Hussainey and Wang (2013), Liu (2015), and Abed et al. (2016), have utilized manual or electronic content analysis to assess FLI disclosure levels. Most of these studies relied on a list of 35 keywords associated with FLI in annual reports, which was initially developed in the study by Hussainey et al. (2003). Additionally, Bravo (2016) used sentences containing one or more keywords indicating Forward-Looking Information as a measurement unit by associating them with groups of sentences within annual reports. In contrast, Al-Najjar and Abed (2014) proposed an indicator for measuring FLI disclosure that comprises two groups, encompassing financial and non-financial information, consisting of 64 items. Furthermore, Al-Sharawy (2023) introduced an indicator with three groups totaling 40 items, while Zalat and Zaini (2023) proposed an indicator that includes five groups and 52 items. Lastly, O'Sullivan et al. (2008) viewed the disclosure of Forward-Looking Information as an unweighted binary variable, assigning a value of 1 if companies disclose such information and a value of 0 if they do not.

To achieve the objective of the current study, the variable representing the level of accounting disclosure of forward-looking information (FLID) is measured by constructing an index specifically focused on disclosing forward-looking information in companies listed on the Egyptian Stock Exchange. Each element within this index is assigned equal relative weights. The elements of the index were derived from an analysis of previous studies in the accounting literature, as detailed in Appendix No. 2. Key studies include works by Maligi (2017), Al-Qaliti (2011), Saad El-Din (2014), Mohamed (2019), Mutiva et al. (2015), Liu (2015), Al-Najjar and Abed (2014), Hussien and Mahmoud Abdelrehim (2020), Al-Sharawy (2023), and Zalat & Zaini (2023). The index comprises 55 elements that include terminology reflecting future-oriented information. These elements are categorized into eight main groups: 1. financial information, 2. objectives and strategy of the company, 3. opportunities and risks, 4. resource planning, 5. other non-financial information, 6. disclosure of accounting policies and significant, 7. Forward-looking information disclosure methods, 8. Forward-looking information disclosure mean.

2.2 audit effort

The amount of audit effort not only influences the likelihood that auditors will identify existing material misstatements but also plays a significant function in the communication between the audit firm and customer management. However, there is limited academic evidence on how audit effort impacts audit quality, primarily because of a shortage of data on audit effort. Dye (1995) in the line with Hillegeist (1999) suggested that, in theory, diligent audit firms are more likely to discover overstated earnings. The experimental research conducted by Bonner and Sprinkle (2002) indicated that pecuniary incentives to audit effort positively affect audit performance. Studies by Hribar et al. (2014), Chen et al. (2019), and Tusheng et al. (2020) used audit fees as an alternative to audit effort to examine its influence

on quality of audit, but their findings were contradictory. Caramanis and Lennox (2008) utilized a unique database of audit hours from Greece within the period in 1994 to 2002. They discovered that when hours of audit are lower abnormal accruals are often more positive than negative.

There is a notable lack of literature examining the impact of disclosing future information on auditors' efforts. However, some studies in this area can be reviewed, such as the work by Yen et al. (2018), which focused on the influence of audit firm characteristics on the relationship between audit fees and incidents of information security breaches. This study utilized the perception of information security risk as a proxy for the level of a company's information security risks.

The researchers aimed to explore auditors' efforts to understand and assess their clients' information security risks and procedures. To do this, they examined the audit fees charged to clients in the periods following the breaches. Empirical evidence was gathered from the Data Loss DB database, which documented disclosed information security breaches from 2004 to 2013.The findings revealed a positive correlation between disclosed information security breaches and the subsequent audit fees. Additionally, the study found that industry experience reduced the association between information security breaches and audit fees from 52% to 11.3%. Similarly, a longer audit period diminished the association from 13.7% to -12.4%. The research also indicated that the characteristics of audit firms help the auditors in assessing risks of information security and evaluate risks management with lowest effort.

Rosati, P., Gogolin, F., and Lynn, T. (2019) investigated the association of cybersecurity events with audit fees, applied on a sample of more than 5,000 companies. The study found that companies experiencing a security breach saw a 12% increase in its audit fees, while companies in the identical industry as the breached company experienced a 5% raise in the audit fees. Furthermore, the research indicated that audit firms don’t reassess their audit risk evaluation following a breach. Overall, these results represent that the high in the audit fees of the period of an infraction is temporary, and auditors incorporate cybersecurity risks into its audit risk assessments even previously an infraction occurs. Ultimately, higher cybersecurity risks lead to increased audit fees.

Chen et al. (2019) developed a model to assesses the benefits and costs of audit-quality information disclosure. They specifically examined whether the audit quality disclosure influence on auditors' efforts and efficiency of investors' investment. In their study, an auditor present unobservable effort to affect audit quality which is encoureged by the possible liability when an audit failure event accord. The utility of audited annual reports for users depends on the underlying annual reporting quality (as showed in GAAP) and the auditors' reports quality, which reflects the likelihood of uncovering managerial misreporting through audit evidence. They found that disclosure of audit quality raise auditors' incentive to exert effort in case of the underlying annual report quality is relatively deficient. However, they also discovered that such disclosure can reduce investment efficiency. This research contributes to the ongoing debate about policies aimed at improving audit transparency.

Tusheng et al. (2020) utilized a novel audit days’ dataset in China within 2006 - 2011 to examine the association between audit quality and effort from the perspectives of the audit

evidence through its process and output. The results indicated that raised audit effort significantly enhances the probability of auditing adjustments, which in turn reduces earnings management positively and enhances quality of the audited financial statements. The study also found that overall, audit effort has no significant effect on adjusted audit opinions issuance; however, an adjusted audit opinion is probably to be published when adjustments of audit aren't made.

also, the association of the audit effort with quality of audit is diminished when customer work is more complexity and when the size of audit firm is larger. in general, the study evidences show that the audit effort presents an important function in progressing the quality of audit by effecting the process and output of audit. This study develops the literature relating to the impact of the audit effort on the quality of audit in the newest markets and has a significant role in progressing China's audit efficiency.

Eman (2020) examined the relationship between auditor fees and the level of FLID in the integrating reports. The study analyzed the sample of more than 50 non-financial companies whose reports were extracted from the International Integrated Report Council (IIRC) on its official website for the year 2017. The results indicate a negative effect of auditor fees on forward-looking disclosures. Additionally, the study did not find a statistically significant relationship between internal control effectiveness and the levels of FLID in the integrated reports. This research progresses the literature on the factors that influence FLID in the integrated reports.

Lim and Monroe (2022) examined the relationship between an analyst covering and the audit fees, as well as how adopting International Financial Reporting Standards (IFRS) and levels of shareholder protection in different countries interact with analyst coverage and influence audit fees. This study contributes to our understanding of how analyst coverage affects audit fees, particularly in the context of IFRS adoption and varying shareholder protection levels across countries. Using a dataset of 41,648 observations from 30 countries spanning the period from 2000 to 2011, the researchers found that auditors charge higher fees for companies with greater analyst coverage. They also discovered that the positive impact of an analyst covering on the audit fees is less pronounced for companies that adopt IFRS in countries with strong shareholder protection.

Metwally, M., and Ghareeb, H.S. (2022) conducted a study to measure the impact of cybersecurity risk disclosure on audit fees in Egyptian companies. They emphasized the importance of disclosing cybersecurity risk and outlined the factors that influence the relationship between such disclosures and audit fees. The study focused on firms which listed on the EGX, utilizing data available on its official website. The sample included a selection of these companies for which data on the relevant variables were accessible. The researchers relied on financial statements, governance reports, shareholder structure reports, board of directors' structures, audit committee meeting minutes, and general assembly meeting minutes from the period spanning 2017 to 2021.The results of both the theoretical and empirical aspects of the study indicated a significant finding: there is a positive correlation between audit fees and the risks associated with cybersecurity breaches. When auditors observe an increase in

cybersecurity risks, they tend to exert more effort during the audit process, resulting in higher fees. Based on these observations, the proposed hypotheses are as follows:

H1. Forward-looking disclosure level in the annual reports is positively associated with auditor efforts in companies listed on the Egyptian stock exchange.

3. research method

3.1 sample selection

To accomplish the study's goals, the study sample was randomly selected from 40 companies listed on the... Egyptian Stock Exchange (EGX 30) in the years 2018 to 2023, after excluding financial sector companies (banking sector and financial services sector other than banks), due to the special nature of the activity of these companies, and companies whose financial year ends on 30/6 of each year. and (Appendix No.3) of the study shows the sectors and the companies in the study sample.The study obtained this data from the published financial statements and the Board of Directors' report (Form 40) for companies listed on the Egyptian Stock Exchange in the years 2018 to 2023 for the disclosure of future information, and the minutes of the general shareholders' meeting in the years from 2019 to 2024 for the auditor's effort from the Egyptian Stock Exchange and website (www. Mubasher. inf.).

3.2 variable measurement

Dependent variable in this study, audit effort, was measured using the natural log of total audit fees paid by the companies. We adopted audit fees like a Substitute for audit effort, in line with previous research (*Lobo & Zhao, 2013; Choudhary et al., 2019; Xu & Huang, 2021*). While some studies measuring audit effort, like those by Caramanis & Lennox (2008) and Choudhary et al. (2019), use audit hours as an indicator, this data was unavailable for our analysis. Therefore, this study considers total audit fees to be the best measure of audit effort. The independent variable in our study was the level of FLID. We measured this variable by developing an index that evaluates FLID (see Appendix No. 2). This index utilized binary variables, assigning a score of 1 to items that were disclosed in the reports and financial statements, and a score of 0 for items that were not disclosed. The level of FLID was then calculated by dividing the number of disclosed FLI items for each company by the total number of FLI items outlined in the proposed index (*Uyar & Cilic, 2012; Elfeky, 2016; Agyel-Menslah, 2017; Menicucci, 2018; Khankahdani et al., 2021; Al-Sharawy, 2023*) as shown in the following equation:

$$\boldsymbol{fdl_i} = \frac{\sum_{i=1}^{m} \boldsymbol{d_i}}{\sum_{i=1}^{n} \boldsymbol{d_i}}$$

$\boldsymbol{fdl_i}$**:** FLI disclosure level of the company**.**

d : A dummy score of "1" if the item disclosed in the reports and financial statements, and "0" if otherwise.

m : number of items of FLI disclosed in each company.

n : total number of FLI in the proposed index.

In accordance with prior studies (Silva et al., 2020; Al-Shaer, 2020; Rabarison et al., 2020; Xin et al., 2022), we considered various variables in our analysis. literature suggests that size of auditor may influence audit fees (Balsam et al., 2003; Cano, 2007; Cabal-Garcia et al., 2019).

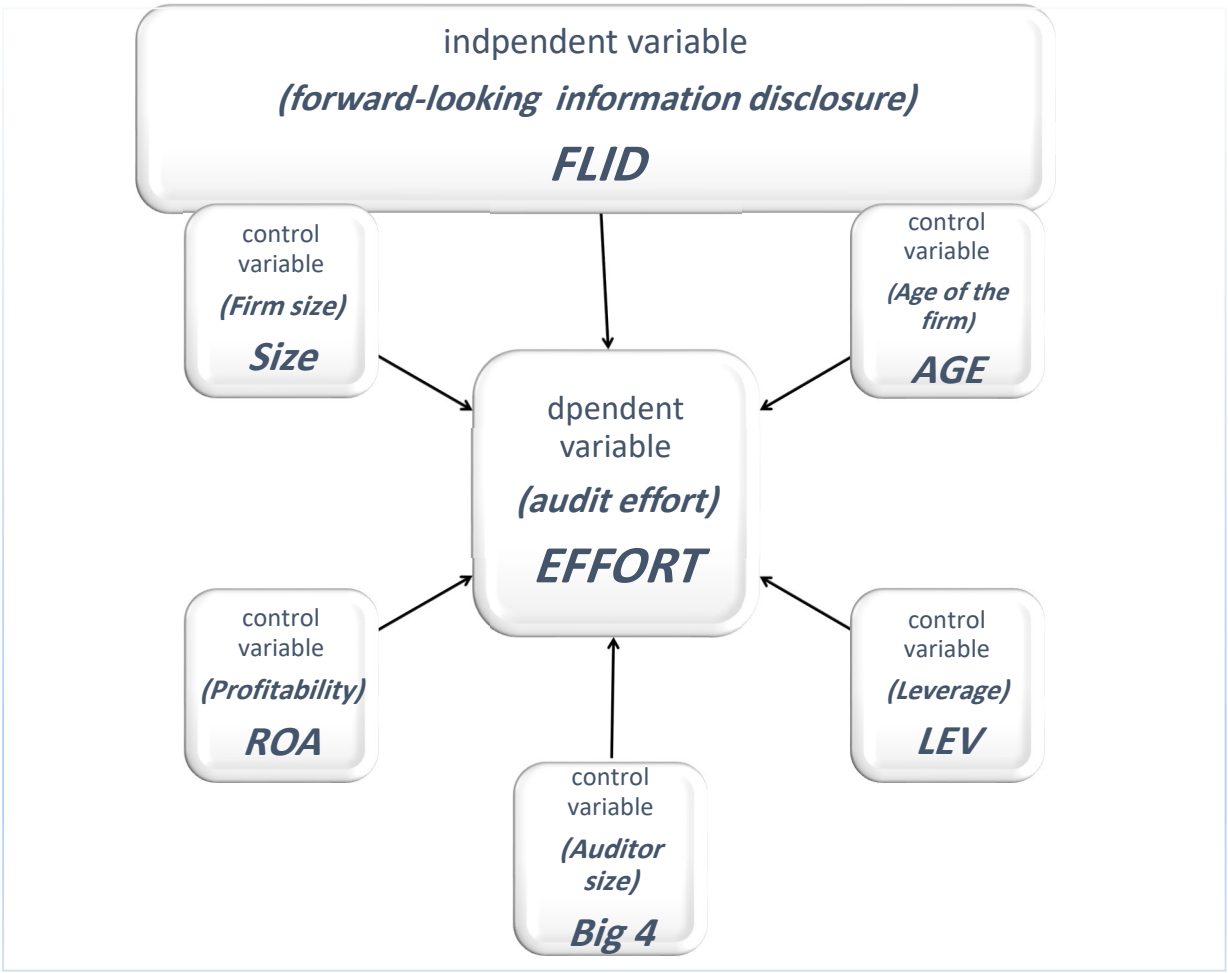
To account for this, we added a variable, BIG 4, which designates a score of 1 for firms that engage a Big 4 firms and 0 otherwise. We measured size of firm using the natural log of total of assets in the line with (Kim et al., 2003; Van Tendeloo and Vanstraelen, 2008; Elfeky, 2016; Huguet and Gandía, 2016; Elgamal et al., 2018). Firm age was measured using the natural log of the firm's age (Silva et al., 2020; Musa et al., 2021). Additionally, we included profitability, which was calculated by the return on assets (ROA) (Wang & Hussainey, 2013; Elfeky, 2016; Elgamal et al., 2018). To assess the financial stability of a firm, also two control variables were included: leverage (LEV), defined as the total liabilities to total assets ratio (Reynolds and Francis, 2000; Brazel & Dang, 2008; Li et al., 2012; Hussain, 2020).

Table1: definition of variable

Variable	***Type***	***Symbol***	***Measure Method***
Audit effort	***Dependent***	***EFFORT***	The Natural log of the total audit fees amount. (*Lobo & Zhao, 2013, Choudhary et al., 2019, Xu & Huang, 2021*)
forward-Looking information disclosure	***Independent***	***FLID***	A dummy score of "1" if the item disclosed in the reports and financial statements, and "0" if otherwise. (*Uyar & Cilic,2012; Elfeky, 2016; Agyel-Menslah, 2017; Menicucci, 2018; Khankahdani, M. F., et al., 2021; Al-sharawy, 2023*).
Firm size	***Control***	***Size***	The Natural log of the total assets. (*Van Tendeloo & Vanstraelen, 2008; Elfeky,2016; Huguet and Gandıa, 2016; Elgamal, et al, 2018; Zalat & Zaini ,2023*).
Firm Age	***Control***	***Age***	The Natural log of number of the years. (*Silva et al., 2020; Musa et al., 2021*).
Auditor size	***Control***	***Big 4***	if an auditor is with BIG-4 that take a dummy score of "1" and "0" if otherwise. (*Balsam et al., 2003; Cano, 2007; Cabal-Garcıa et al., 2019; Al-sharawy, 2023*).
Profitability	***Control***	***ROA***	Return on assets. (*Wang & Hussainey, 2013; Elfeky, 2016; Meligy, 2017; Elgamal, et al, 2018; Zalat & Zaini ,2023*).
Leverage	***Control***	***LEV***	Total liabilities/total assets. (*Reynolds & Francis, 2000; Brazel & Dang, 2008, Li, et al., 2012; Hussain, 2020; Al-sharawy, 2023*).

Source: Author work.

The study model takes the following form:



Study variables
Source: Author work

4. results and discussions

4.1 descriptive statistic

Table 2 presents descriptive statistics of the variables which used in this study. about dependent variable and control variables, the natural log of the forward-looking information disclosure FLID ranges from 0.36 to 0.80, with an average of 0.5852. Appendix No. 3 of the study lists the sectors and companies included in the sample, along with their average forward-looking disclosure.

The average firm size is reported as 21.179, while the average firm age is 3.4903. The average BIG4 firms value is 0.5208, indicating that 52% of the companies employed Big 4 firms. The natural log of leverage ranges from 0.00 to 5.28, with an average of 0.6125. The natural logarithm of the return on assets ranges from -0.40 to 0.71, with an average of 0.0380. Lastly, the natural logarithm of auditor effort ranges from 10.43 to 16.52, with an average of 12.5591.

Table2: results of descriptive statistics

Descriptive Statistics

Variables	*N*	*Min*	*Max*	*Mean*		*Std. D*
	Stat	*Stat*	*Stat*	*Stat*	*Std. E*	*Stat*
FLID	***240***	***.36***	***.80***	***.5852***	***.00708***	***.10970***
SIZE	***240***	***13.95***	***25.74***	***21.1790***	***.14508***	***2.24757***
AGE	***240***	***2.40***	***4.75***	***3.4903***	***.02777***	***.43015***
BIG4	***240***	***.00***	***1.00***	***.5208***	***.03231***	***.50061***
LEV	***240***	***.00***	***5.28***	***.6125***	***.03625***	***.56155***
ROA	***240***	***-.40***	***.71***	***.0380***	***.00653***	***.10119***
EFFORT	***240***	***10.43***	***16.52***	***12.5591***	***.06978***	***1.08108***

Source: Author work

4.2 correlation matrix

correlation matrix presented in Table no.3 indicates a significant positive relationship between FLID and EFFORT. This indicates that a higher level of forward-looking information disclosure necessitates greater audit efforts. In terms of control variables, there weren't significant relationships observed with SIZE and EFFORT, AGE and EFFORT, ROA and EFFORT, or LEV and EFFORT. Additionally, the results present a significant positive correlation between BIG4 and EFFORT, implying that companies audited by firms belonging to the Big 4, particularly those with more complexity, need increased audit effort.

Table 3: correlation matrix between the variables

	FLID	*SIZE*	*AGE*	*BIG4*	*LEV*	*ROA*	*EFFORT*
FLID	**1**						
SIZE	**.203**	**1**					
AGE	**-.131**	**-.245***	**1**				
BIG4	**.136**	**.189**	**-.230**	**1**			
LEV	**.092**	**-.031**	**-.062**	**-.004**	**1**		
ROA	**.190**	**.233**	**-.020**	**.229**	**-.176**	**1**	
EFFORT	**.351***	**.151**	**.049**	**.459****	**.142**	**.221**	**1**

*** significant Correlation at the 0.05 level (2-tailed).**

**** significant Correlation at the 0.01 level (2-tailed).**

Source: Author work

4.3 regression analysis and results

The researcher utilized multiple regression analysis to examine the hypothesis of the study and the association between the dependent and independent variables. The hypothesis suggests that audit firms that assess forward-looking information in annual financial statements and reports will significantly influence audit efforts. To estimate the influence of the level of FLID on audit efforts, the study employs the following model:

$$\boldsymbol{EFFORT}_{ti} = \beta 0 + \beta 1\ \boldsymbol{FLID}_{ti} + \beta 2\ \boldsymbol{SIZE}_{ti} + \beta 3\ \boldsymbol{AGE}_{ti} + \beta 4\ \boldsymbol{BIG4}_{ti} + \beta 5\ \boldsymbol{LEV}_{ti} + \beta 6\ \boldsymbol{ROA}_{ti} + \varepsilon_{ti}$$

Table 4: summary of model

Model	*R*	*R^2*	*Adj R^2*	*Std. The error of Estimate*
1	**.579[a]**	**.335**	**.318**	**.89256**

a. Dependent Variable: audit effort

Table 5: R. ANOVA

Mod		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	***Regression***	**93.704**	**6**	**15.617**	**19.603**	**.000[b]**
	Residual	**185.624**	**233**	**.797**		
	Total	**279.328**	**239**			

a. Dependent Variable: audit effort

Table6: coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*
		B	*Std. Error*	*Beta*		
1	***(Constant)***	**9.459**	**.836**		**11.316**	**.000**
	FLID	**2.975**	**.537**	**.302**	**5.541**	**.000**
	SIZE	**-.038**	**.026**	**-.078**	**-1.426**	**.155**
	AGE	**.430**	**.140**	**.171**	**3.081**	**.002**
	BIG4	**.958**	**.123**	**.444**	**7.808**	**.000**
	LEV	**.235**	**.113**	**.122**	**2.083**	**.038**
	ROA	**.398**	**.649**	**.037**	**.613**	**.540**

a. Dependent Variable: audit effort

4.4 regression result

As showed in Table (4), the model of regression is significant, with an Adjusted R^2 of 0.318. This indicates that FLID can explain 31.8% of the variation in EFFORT. Table (5) further confirms the significance of the regression model (F = 5.541, Sig. = 0.000), suggesting that we can rely on the model results to identify the effect of FID on EFFORT.

The results as show in Table (6) also reinforce our findings, providing additional evidence that FLID is positive significantly associated with EFFORT (t = 5.541, Sig. = 0.000), which is below the 5% significance level. This finding may stem from audit firms allocating more resources to auditing and providing assurance on FLI presented in the annual reports of firms that disclose such information (Bao Ngo, T. N., & Tick, A., 2021; Zhang, Y., & Smith, T. J., 2022; Metwally, M., & Ghareeb, H.S., 2022). However, the study has not reached conclusions that align with previous studies that contradict these results.

Regarding the impact of variables that control audit effort such as SIZE, AGE, BIG4, LEV, and ROA, the results presented in Table no.6 indicate that AGE is positive significantly related to audit effort (t = 3.081, Sig. = 0.002). This finding aligns with previous studies

(Silva et al., 2020; Musa et al., 2021), which suggest that older, larger companies require more effort from auditors to ensure data accuracy and maintain a good reputation. Conversely, the analysis shows that the firm's size does not significantly affect audit efforts. This outcome is surprising, as we initially expected that larger firms would necessitate more time and effort from auditors due to their higher volume of transactions. Additionally, the results indicate that affiliation with a BIG4 firm is positive significantly associated with audit effort (t = 7.808, Sig. = 0.000). This finding contradicts prior studies

(Balsam et al., 2003; Cano, 2007; Cabal-García et al., 2019), which suggested that larger audit firms require more effort from auditors to ensure data accuracy and maintain their reputations.

Efficiency, as measured by LEV, is positively and significantly related to EFFORT (t = 2.083, Sig. = 0.038). This indicates that firms operating efficiently to reduce their liabilities relative to their assets require less effort from auditors, which matches with our prior expectations. Conversely, ROA has no significant effect on audit efforts, a finding that aligns with our initial expectations.

According to the analysis results of the regression, we show that the hypothesis was accepted, indicating that FLI disclosure affects audit efforts. And regression equation can be formulated as follows:

$$\boldsymbol{EFFORT}_{ti} = 9.459 + 2.975\ \boldsymbol{FLID}_{ti} + \beta 2\ \boldsymbol{SIZE}_{ti} + \beta 3\ \boldsymbol{AGE}_{ti} + \beta 4\ \boldsymbol{BIG4}_{ti} + \beta 5\ \boldsymbol{LEV}_{ti} + \beta 6\ \boldsymbol{ROA}_{ti} + \varepsilon_{ti}$$

5. conclusion

This study explored how the level of forward-looking disclosures influences auditor efforts. We propose that companies with a high level of such disclosures require more intensive audit scrutiny. Our findings reveal that sample firms, on average, provide a disclosure level of 0.5895 in their annual statements and reports.

We observed a positive significant correlation between the extent of FLI disclosed and the effort exerted by auditors. Moreover, we discovered that factors such as audit firm size, client firm age, and leverage significantly influence the relationship between FLI-level disclosures and audit effort. However, we found no significant correlation between firm size or its return on assets and auditor effort. Additionally, our results suggest that a high level of FLI disclosure may lead to increased audit costs and fees, ultimately resulting in greater auditor effort. Overall, while we identified that a firm's age, affiliation with a Big Four audit firm, and leverage play important roles in affecting audit efforts, other control variables, like the firm's size and return on assets, did not demonstrate a significant impact. This study improves the growing literature on FLI disclosure. However, it has a few limitations.

First, the sample size is comparatively small because only a limited number of firms listed on the Egyptian Stock Exchange and Mubasher have included FLI in their annual reports. Additionally, many companies do not disclose sufficient FLI due to the lack of available data, the need for manual collection, and the fact that such disclosures are still voluntary rather than mandatory.

Second, the study focuses on extent of FLID in annual reports of companies from 2018 to 2023. Collecting data on these disclosures required manual efforts. The auditor's fees, which reflect the auditor's efforts for the years 2019 to 2024, were gathered from the general shareholders' meetings minutes available on Egyptian Stock Exchange website. Lastly, the study investigates specific factors related to the external auditor's efforts.

The study recommends a greater emphasis on disclosing FLI to better meet Users' information needs. As corporations increasingly provide this type of information in their reports, it helps users evaluate company performance and the organization's ability to generate value, leading to more informed investment decisions. Furthermore, this information can aid Board of Directors and the General Assembly of Shareholders in determining auditors’ fees and the efforts required based on FLI disclosure level. This increased transparency can enhance their interest in auditing forward-looking information and encourage improvements in the auditing process and its quality.

However, FLID have been criticized for their inherently speculative nature. so, it is essential to have an external and effective authority, and independent management, to evaluate these disclosures, such as an external auditor. Future research could develop the effects of forward-looking information disclosures on for example audit business and audit reputation.

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Appendix 1: includes words indicating forward-looking information.

1	**Accelerate**
2	**Anticipate**
3	**Await**
4	**coming (financial) year(s)**
5	**coming months**
6	**confidence (or) confident)**
7	**Convince**
8	**(current) financial year**
9	**Envisage**
10	**Estimate**
11	**Eventual**
12	**Expect**
13	**Forecast**
14	**Forthcoming**
15	**Hope**
16	**intend or intention**
17	**likely or unlikely**
18	**look forward or look**
19	**Next**
20	**Novel**
21	**Optimistic**
22	**Outlook**
23	**planned (or) planning**
24	**Predict**
25	**Prospect**
26	**Remain**
27	**Renew**
28	**scope for (or scope to)**
29	**should, soon, will shall**
30	**Shortly**
31	**well placed (or) well positioned**
32	**year(s) ahead**

Appendix 2: forward-looking disclosure indicator in the annual financial statements and reports for the companies of the study sample.

Group 1: Financial Information	
Items	**Exist**
1. Expected profits	
2. Expected cash flows	
3. Targeted Sales	
4. Expected production cost	
5. Expected share price	
6. Expected financial ratios and indicators	
7. Expected market share	
8. Expected dividends	
9. expected capital expenditure	
10. Expected liquidity position	
11. Expected R&D expenses	
12. Opening new investments in foreign markets	
Group 2: Objectives and Strategy of the Company	
Items	**Exist**
13. Company Objectives or Strategy	
14. Future Market Expansion	
15. Increase and decrease sales	
16. New Services	
17. Description of the activity or services provided by the Company	
18. Organizational Structure of the Company	
19. Historical background on the company and its development	
20. Customer Satisfaction	
Group 3: Opportunities and Risks	
Items	**Exist**
21. Growth and investment opportunities	
22. Available Funding Opportunities	
23. Future Challenges and Threats of the Company	
24. Risk Management Committee and its Procedures	
25. Expected risks (political, financial, environmental, technological)	
26. Competitive position of the Company	
Group 4: Resource Planning	
Items	**Exist**
27. Linking company strategy to resource allocation plans	
28. Capital expenditure plans	
29. R&D Plans	
30. New product (project) plans, innovations and patents	
31. Training and investment plans in human capital	

Group 5: Other non-financial information	
Items	**Exist**
32. Internal control Development	
33. Human Resources Development	
34. Internal processes Development	
35. Investment Plans	
36. Future Contracts and Agreements	
37. Future Economic Outlook of the Company	
38. The impact of the company's strategy on future performance	
39. Challenges facing the company in the future	
40. Governance information	
Group 6: Disclosure of Accounting Policies and Significant Estimates	
Items	**Exist**
41. Change in accounting policy.	
42. Description of transitional provisions affecting future periods	
43. The amounts to be adjusted for the current period and future periods	
44. Items in the financial statements affected by changes in accounting policies.	
45. Basic and diluted earnings per share (EPS)	
46. How to apply the effect of the change in accounting policy	
Group 7: Forward-looking Information Disclosure Methods	
Items	**Exist**
47. Estimate a specific number for the item to be predicted	
48. Estimating a specific range for the item (setting a minimum-maximum)	
49. Estimate the open range for the item	
50. It is done in a descriptive form	
Group 8: Forward-looking Information Disclosure Means	
Items	**Exist**
51. Separate list containing important items	
52. Separate comparative column within the basic financial statements	
53. Within the management's discussion and analysis in the Board of Directors' report.	
54. Within the notes and footnotes of the financial statements	
55. On sites specialized in publishing Financial predictions	

If item exist = 1, If not exist = 0

Appendix 3: the sectors and the companies in the study sample, and its forward-looking information disclosure average.

N	*Sector*	*Companies*	*Number of companies in each sector*	*Number of views per sector*	*Average of forward-looking disclosure per company*	*Average of forward-looking disclosure per sector*
1	Real Estate	6th of October	10	60	0.590	0.604
2		Upper Egypt			0.683	
3		Amer Group			0.713	
4		Delta For Reconstruction & Development			0.490	
5		Talaat Moustafa			0.520	
6		Porto			0.627	
7		Palm Hills			0.573	
8		Zahraa Maadi			0.513	
9		Orascom Development			0.733	
10		Emaar			0.597	
11	Healthcare & Pharmaceuticals	Ibn Sina	2	12	0.610	0.601
12		Cleopatra Hospital			0.593	
13	Food & Beverage	Obour Land	7	42	0.680	0.528
14		Edita			0.690	
15		Cairo Poultry			0.420	
16		Ismailia Poultry			0.507	
17		Banda			0.493	
18		Ajwaa Industries			0.413	
19		Delta Sugar			0.493	
20	ICT	Telecom Egypt	3	18	0.773	0.698
21		Orascom			0.697	
22		Raya			0.623	
23	Basic Resources	MOPCO	6	36	0.467	0.589
24		Sidi Kerir			0.657	
25		ASIC Mining			0.540	
26		Ezz Steel			0.697	
27		Industrial Finance			0.583	
28		Egypt National-Ataka			0.587	
29	Building Materials	Arabian Ceramics	5	30	0.447	0.570
30		Arabian Cement			0.560	
31		South Valley Cement			0.473	
32		Misr Cement Qena			0.757	
33		Lecico			0.613	
34	Industrial & Automotive Products	Ghabbour Auto	3	18	0.703	0.614
35		Elsewedy Electric			0.693	
36		Egyptian Electrical Cables			0.447	
37	Tourism & Recreation	Sharm Dream	4	24	0.473	0.512
38		Rowad Tourism			0.440	
39		Ramco Tourist Villages			0.653	
40		Mena Tourism Investment			0.483	
Total			40	240	0.5895	0.5895

المستخلص:

هدفت الدراسة إلى اختبار ما إذا كانت الشركات التي يبدو أنها تفصح عن المعلومات التطلعية بشكل أقوى في التقارير السنوية أكثر عرضة لبذل جهود مراجعة أعلى من الشركات التي لا تفصح عنها بنفس الكم. تم استخراج البيانات من التقارير السنوية لـ 40 شركة مدرجة في البورصة ضمن مؤشر EGX30 من عام 2018 إلى عام 2023، وتم استخدام أسلوب تحليل المحتوى لتحديد حقيقة مستوى إفصاحات المعلومات التطلعية في التقارير السنوية لهذه الشركات، والتي شملت قطاعات مختلفة. وتم استخراج البيانات الخاصة بأتعاب المراجعين التي تشير إلى جهد المراجعين من محاضر الجمعية العامة للمساهمين من موقع البورصة المصرية من عام 2019 إلى عام 2024. وتشير النتائج إلى أن FLID يؤثر بشكل إيجابي على جهود المراجعة. ولهذه الدراسة آثار مهمة لتحسين مستويات الإفصاح من خلال تطوير مؤشر لقياس مستوى FLIDفي البيانات والتقارير السنوية للشركات. كما قد تزيد هذه الدراسة من اهتمام مجالس إدارة الشركات بـ FLI ، مما يزيد من متطلبات وجهود المراجع الخارجي لفحص هذه المعلومات، خاصة أنها معلومات غير إلزامية، ويمكن أن تساعد مجلس الإدارة والجمعية العامة للمساهمين في تحديد أتعاب وجهود المراجعين بناءً على مستوىFLID ، مما يجعلهم أكثر اهتمامًا بمراجعة FLI ، ويشجعهم على تطوير عملية المراجعة وتحسين جودتها، بالإضافة إلى ذلك، يزيد من اهتمام مستخدمي التقارير السنوية للشركات المدرجة في البورصة المصرية بـ FLI للاستفادة منها في تحسين قراراتهم المختلفة. وتعد هذه الدراسة من الدراسات النادرة التي تبحث في تأثير FLID على جهد المراجع، وخاصة في الشركات المصرية. كما تساهم هذه الدراسة في الأدبيات حول محددات الإفصاحات التطلعية في التقارير. كما يمكن استخدام نتائجها لتقديم المزيد من الدراسات والبحوث.

الكلمات المفتاحية: الإفصاح عن المعلومات التطلعية (FLID) ؛ جهد المراجع؛ التقارير السنوية للشركات المصرية؛ ومحاضر الجمعية العامة للمساهمين.