Evaluating the Perceptions of Investment Banks on the Effectiveness of Financial Audit Report: Evidence from Kingdom of Bahrain

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Abstract: This research project emphasizes that it is very interesting to know the perception of investment banks of Bahrain on the effectiveness of the financial audit report. Thus, the study asked 36 investment banks in Bahrain to state their opinions on the effectiveness of the financial audit report. The results of the study showed that the financial audit report is effective and the investment bankers easily understand the contents of financial audit report. The investment bankers regarded the financial audit report as a reliable and relevant source of information. Further, the financial audit report is considered as a cornerstone in decision making and acts as a key element in maintaining safe investment environment in Bahrain.

Keywords: auditor, audit report and audit independence.

1. INTRODUCTION

Reliable information became necessary to our society. Laureen and James (2003), reliability is an essential characteristic contributing to the usefulness of financial information. Whittington & Pany (2010), the banker wants to decide whether to approve a loan or not, the investor wants to know whether to buy securities or sell. Ram and Anjan (1984), corporations always look for raising capital from number of lenders and without intermediating information broker lenders can't go for any deal. Thus, reliable information acts as an intermediary between the engaged parties.

With the increase in the usage of financial information provided by others to variety of interested users in the market faced in contrast an increase in the number of accounting irregularities by the providers of the financial information. John E. Core (2010), accounting irregularities are attempts of executives to increase the value of their holdings by manipulating the company earnings. Messod (1999), Managers of the firms are more likely to sell their holdings after they manipulate the firm's earnings.

One of the famous real world fraud cases occurred in U.S at Koss Corporation, when vice president in collaboration with two accountants had engaged in creating artificial financial information, which in turn caused an inflation for the company stock price. Stephen and David (2006), the increase in fraudulent of financial information by corporations had destroyed thousands of jobs and billions of dollars of investors and creditors. Seughan Nam and Joshun Ronen (2012), the consequences of accounting irregularities are destructive. When analysts use biased financial information to predict cash flow this would result in drawing wrong forecasts. Richard, Nathan and Sharp (2011), Shareholders are bearing heavy costs when firms are accused of or admit to improper accounting and he devotes significant resources to detect accounting irregularities.

Emphasizing the necessity to prevent the spread of accounting irregularity acts culture due to its danger consequences on both individual level as well as collective level. The Association of Certified
Fraud Examiner (ACFE) issued a report in 2012 about the global frauds, the study showed 1,388 cases of occupational fraud that occurred worldwide between Jan-2010 and Dec-2012. A summary of top countries that have been suffered from fraud practices is presented in the following table.

<table>
<thead>
<tr>
<th>Africa</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cases</td>
<td>112</td>
</tr>
<tr>
<td>Top Countries</td>
<td># of Cases</td>
</tr>
<tr>
<td>South Africa</td>
<td>34</td>
</tr>
<tr>
<td>Nigeria</td>
<td>30</td>
</tr>
<tr>
<td>Kenya</td>
<td>20</td>
</tr>
</tbody>
</table>

Europe | Latin America and the Caribbean
Cases | 134 | Cases | 38
Top Countries | # of Cases | Top Countries | # of Cases |
United Kingdom | 21 | Mexico | 11 |
Germany | 16 | Brazil | 4 |
Greece | 11 | Argentina | 3 |

<table>
<thead>
<tr>
<th>Oceania</th>
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<tbody>
<tr>
<td>Total Cases</td>
</tr>
<tr>
<td>Top Countries</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>New Zeland</td>
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</table>

The rash number of the accounting irregularities led the interested users to doubt about the credibility of accounting profession and the reliability of financial information being disclosed by the providers, justifying their doing by non-existence of the guarantees. Such guarantees as, the disclosed financial information is true and free of material misstatements. Especially when accounting irregularities had occurred at two big corporations, Enron and WorldCom in U.S. Whittington &Pany (2010), in 2001 WorldCom, one of the largest telecommunication company in U.S had misused accounting in significantly overstating its reported income. Shortly thereafter, Enron Corporation filed for Bankruptcy after discovering that accounting irregularities had been used in overstating the earnings of the current and preceding years. Fayez A. Elayan, Jingyu Li, and Thomas O. Meyer (2008), failure of Enran and WorldCom in disclosing true financial information has caused reliability gap for the reported financial information and harm the shareholders. Furthermore, the firms that have had accounting irregularity typically have lower transparency in reporting of financial information.

Irregularity events are negatively affecting the management integrity and impairing the credibility of accounting profession. Kristin Sullivan (2006), a status for accounting scandals showed that over than 20 corporations in U.S had been engaged in accounting irregularities since the beginning of year 2000 till the end of year 2005. The massive number of accounting irregularities scandals had contributed in creation of credibility gap for the accounting profession and the reported financial information. In addition, the accounting irregularities leaded the stakeholders to conclude that the financial information reported can't be believed and the entities are looking only for their selves interests. On the other hand, leaving the accounting irregularities to take place is going to create unsafe business environment for the capital market allocations. Whittington & Pany (2010), inadequate financial reporting assists the entities in hiding the waste and inefficiency, thereby preventing an efficient allocation of capital market. Fayez A. Elayan, Jingyu Li, Thomas O. Meyer (2008), reliable and relevant accounting and financial information are regarded as a basis for capital market allocations. Whereas, the reliability of financial information presents the users for decision making and the relevancy of the financial information assists them in making effective decisions. Therefore, the society found it is necessary to tackle the issue of credibility in financial information and rebuild the confidence as well as bridging the credibility gap in the reported financial information.

1.1. The Need for Auditing

The auditing became as a basic need and the continuity of capital market allocations is subject to the existence of independent external person. With the existence of independent external person, the need of users of financial statements is satisfied and contributes to mitigate the conflict sharpness that is
taking place between the preparers of financial statements and the users of it. According to Chow (1982), the major reason for engaging independent person is to control the conflict of interests among firm managers and share holders. Hakim, Faten and Abdelwahed Omri (2010), the conflict of interests between managers, shareholders and other interested parties had contributed in creation of environment in which an external independent person may contribute significant value to the investors.

From another side Sudip, Kimberly and Tracey, (2012) said accounting research found that the existence of independent person is going to add weight to the reported financial information. Whittington & Pany (2010), the society perceived the need for external independent person, individual privileges his profession by high degree of competency and transparency to tell us his opinion after performing examination for the financial information prepared by the management of the company. The management initially are requested to arranging their financial information in a set that shows the company financial position and the results of its operations and thereafter, the management is asked to engage the independent external person to perform the audit. The auditor role is to verify the integrity of management, the correctness and truth of contents of financial statements.

1.2. Theories on the Demand of Auditing

The presented below is analysis for the theories that advocate the need for performing auditing and they are as the following: (a) Policeman Theory, (b) Credibility theory, (c) Moderator of Claimants Theory, (d) Quasi-Judicial Theory, (e) Theory of Inspired Confidence and (f) Agency Theory.

(a) Policeman theory

This is the most famous theory of auditing until the 1940s, and it’s regarded as a clear justification for the existence of auditor. Under this theory the auditor acts as a policeman focusing on arithmetical accuracy and on prevention of fraud to occur as well as detecting it. Kim Ittonen (2010), the shift in the theory of auditing, "Verification of truth and fairness of the financial statements" significantly affect the theory explanatory power.

(b) Credibility theory

Credibility theory is considered as a primary function of auditing, the performance of auditing will contribute in increasing the credibility of financial statements. Thus, the audited financial statements expected to enhance the attitude of the preparers of financial statements and reduce the information asymmetry that is taking place between the preparers and the users of financial statements. Paul and Krishna (2001), stated that the demand for credible financial information raised from information asymmetry and agency conflicts among managers and outside investors and that reinforced existence of auditors, to enhance credibility of the financial information.

(c) Moderator of claimants theory

This theory emphasizes the importance that all vital participants within the organization continue to contribute to the benefit of the organization. Mahdi Salehi (2011), to assure the continuity of contributions, the participants must have a believe that they receive a fair share of the company’s income. Thus, the auditor is seen as a "moderator of various interested participants represented in the income statement", when he gives his opinion on the accuracy of the income statement.

(d) Quasi-judicial theory

Baser and Rahman (2011), in this theory the auditor is regarded as a judge in the financial information process. However, the auditor degree of independence and objectivity seems to be impaired since the auditor judgment will be affected by the agent's pre-agreed reward.

(e) Theory of inspired confidence

The independent auditor is the only person which the public can rely upon and trust. An independent auditor can be trusted and rely upon because he is assumed to be objective, impartial and independent. Theodre Limperg (1985), published the theory of inspired confidence and emphasizes two important things:

- The independent auditor should meet with the rational expectations of the general public.
- The independent auditor should not provide more assurance than he can prove based on his work.
The public is expecting that the auditor is going to act in a high degree of independence but unfortunately the auditor fail to assure that the failure of auditor had caused in creating audit expectation gap.

*(f) Agency theory*

The agency theory highlights the information conflicts that is taking place among two parties, the owner of the company (the principal) and the manager of the company (The agent). Whereas, the principal is delegating the manager to use the power of authority to accomplish the pre-assigned duties and assure that the profit maximization is achieved. Ross and Jerold (1983), typically the agent is looking for his self-interests and attempts to maximize his wealth as much as possible. By other means, the agent in nature is greedy and attempts to obtain the highest possible compensation with the lowest possible effort. Therefore, the principal faces a difficulty in measuring the efforts that have been sacrificed by the agent towards the company. From other side, the agent is going to share the information that will stand in his favor with the principal and based on the information provided to the principal, the compensation will be give the existence of information uncertainty and the lack of trust between the principal and the agent left a gap called information asymmetry and the principal realized that he is unable to determine whether the agent acts in the best of his interest. Thereafter, the principal perceived the need for hiring independent auditor to verify the truth and fairness financial information provided by the agent.

*(g) The modern theory on auditing: Assurance services*

The demand for information credibility is increasing dramatically, according to International Auditing and Assurance Standards Board (IAASB), the need for improving the level of assurance in the financial information is indispensable and the purpose behinds launching the modern approach of auditing in the form of assurance services is mainly for reducing the information risk and enhancing the credibility of financial statements. However, the users of financial information will be well prepared and presented for decision making process since the financial statements contents have been evaluated by independent person against the suitable criteria.

2. LITERATURE REVIEW

Robin W. Roberts & Peggy D. Dwyer (1998), traditionally, the auditor's objective was to detect the fraud, but nowadays the increase in the volume of transactions prevents the auditors from providing absolute assurance and led them to switch their goals into determining the fairness of financial statements. Thus, the auditor's opinion gives the users of financial statements a reasonable assurance about the fairness and correctness of financial statements contents.

The Statement of Auditing Standards (SAS) No. 82, *Consideration of Fraud in the Financial Statement Audit*, the auditors bear the responsibility to efficiently plan and perform the audit to obtain a reasonable assurance about the fairness of financial statements content. Scott and John (1998), when auditors fail to detect the financial statement frauds and errors this could distort the reputation of auditors and significantly affect the public interest. Therefore, SAS No.82 pointed out the responsibility of auditors and clearly directs the auditors to assess the risk of material misstatements and ordered the auditors to tailor further audit procedures whenever the degree of uncertainty increased.

Kin-Yew and El Boo (2012), the current assurance standards do not require the level of assurance (e.g., moderate or high) to be explicitly stated in the audit reports. The auditors use two ways to convey their assurance message. Through a description of the nature and extent of the assurance work performed (e.g., examination vs. review) or the type of opinion (e.g., positive vs. negative) expressed in their audit reports. Eugene A. Imhoff, Jr. (2003), Beginning of the 18th Century, number of changes had occurred, the increase in the industries size led their owners to turn into hiring managers.

The absentee of owners contributed in the creation of demand for independent auditors to protect them against any unintentional errors or intentional frauds that are being exercised by the managers. Sattar, William and Darivs (2004), the conflict of interests between owners, managers and other interested users showed the necessity of the existence of independent auditors. Ross and Jerold (2004), the theory of monitoring and control brought the function of monitoring the manager's performance. Further, the long survival of auditing can assist the organizations to progress and increase their value.
Emphasizing the need of independent auditor, Michael Willenborg (1999), said when independent auditors are auditing the financial information, the financial information became reliable. James, Fran and Gregory (2004), one of the causes of audit failure is the non-adherence of the auditors to Generally Accepted Auditing Standards. And most of the American Corporations have a common scenario that they always receive an unqualified audit report, and shortly thereafter, collapses with the news that the financial statements are grossly misstated. The common scenario revealed that auditors have made serious errors in conducting the audit.

Mukesh, Katherine and Atulya (2003), the collapse of U.S stock market has been accompanied by large scale audit failure. In some of fraud cases, the auditors were engaged in fraud cases. For example, according to the Wall Street Journal dated January 23, 2003, the SEC sat file civil fraud charges against KPMG for its misconduct of auditing in Xerox. Sakchai (2011), the bankruptcy of Enron Corporation, an American energy company and dissolution of Arthur Anderson influenced the audit profession reputation. The investors start to doubt about the quality of audit report and realized the lack of auditor's independence as well as ineffectiveness in planning the audit. Don, Philip and Lloyd (2006), American accounting scandals are horrible and destructive, the occurrence of those scandals revealed that the failure of U.S auditing system and its inability to deliver true independence. The auditor's self-interest affected many of U.S big companies such as, Enron, Worldcom, FastTrack, Savings and Loan and Global Crossing.

Those companies being forced to restate their financial statements and kept under scrutiny due to the continuity of management corruption and clear lack of independent financial monitoring. On the other hand, Edward and Douglas (2005) mentioned, the rash of accounting scandals negatively affect the auditing profession and caused to increase the scrutiny on auditors and auditor's independence. Where, the increase in accounting scandals in United States led the Congress to quickly respond by issuing the Sarbanes-Oxely Act of 2002. The purpose of Act was to enhance the position of auditors among the public in term of their independency and ensure that the auditors are not being influenced by others while they are engaging in an audit. Mark and Jere (2005), noticed the action of Congress and concluded that the audit profession was suffering from poor standards setting which also contributed to the failure of audit. SudaratPongsatitpat (2012), the auditors must carry out the audit in accordance with auditing standards. The auditing standards require from auditors to properly assess all relevant evidence in an unbiased way and verify the reliability of the gathered evidence before drawing any conclusion. Chis Anca (2013), in modern auditing, the auditors are going to use sampling technique to perform various tests for transactions classes and accounting balances.

The sampling technique is the best way for auditors to verify the correctness of management assertions in a reasonable manner. Michael (1999), prior of issuing an opinion on the financial statements. The auditor should carefully read the registration statement to enable him/her to determine whether it is consistent with the financial statements and to ensure that all material financial information that could influence the potential investor are properly disclosed. Daniel, Samul and Clark (2000), the auditor must be aware of the consequences of miscommunication of the facts. Thus, the auditor's communication should be clear and the engaged auditor shall warn the investors, creditors and any other interested party in case of uncertainty about the company going concern. Warning the concern parties is going to protect the remaining assets of the firm by forcing the firm into bankruptcy. Drd. Pop, Loana, and Luliana (2012), audit report is the auditor's final product and acts as an intermediary between the client and users of the financial statements. The study conducted by using qualitative method.

In order to improve the trust towards the profession of audit we should determine the factors that affect the audit report. From the users viewpoint the word “Reasonable Assurance ” is not enough to present the users for making decisions and the word reasonable indicate that the auditor is still unable guarantee for the users that financial information the statements contained are empty of error or fraud. Mahdi Saleh (2010), was interested in his study in evaluating the effectiveness of external auditor's report due to its vital role towards Iranian financial decision makers.

The researcher used quantitative method and the results revealed how understandable the auditor's report is? And he proved that the financial statements are reliable and valuable for the primary users only when they are examined and attested by independent external auditor. Hakim, Faten and AbdulwahedOmri (2010), conducted a study in Tunis by using Panel data Methodology. The Study
examined the quality of external auditor work and his contribution in creating liquidity market in Tunis. In addition, Tunis's capital market participants had pointed out the magnitude of the external auditor in providing independent attestation of manager prepared financial statements and assurance about the contents of financial statements. Tunis had attributed the role of quality audit in preventing material misstatements and creating credibility for financial disclosures.

Melinda, Trion, Span and Popa (2011), highlighted the preference of the listed entities regarding the selection of the external auditor. The study was conducted in Romania using both qualitative and quantitative methods. Researchers stated that the listed entities preferred to be audited by 4 big audit firms and the demand of auditing by these firms is increasing from a year to another. Researchers had noticed obvious change in terms of transparency within these entities audited by one of 4 audit firms. Thus, 4 big audit firms play a vital role in Romanian economy. Researchers ended their study by stating that the preparation and publication of the standard audit report enhances the stakeholder's confidence in the entity financial statements.

Kitinde, Magemble and Sethibe (2007), studied the usefulness of corporate annual report in Botswana. The results of the study showed that all formal lenders i.e Banks and other formal institutions in Botswana regarded annual report as a base in formulation of their lending decisions. Most Botswana lenders prefer information from the income statement and lenders are more concerned with profitability than liquidity. Further, Botswana lenders mentioned clearly that they rely upon quantitative information in formulating their lending decisions. Stephen and Arnold (2012), were interested to know how the weakness of internal control on the financial reporting affect American user's confidence in the accompanying financial statements audit report? In order to know the viewpoint of users of audit reports and whether their confidence in accompany financial statements audit report is undermined when such a weakness is existed. The researchers used experiment consist of 70 investors presented with three different conditions. The experiment's results showed that investors have lower confidence in the audit report when it received unqualified audit report accompanied by an adverse control report.

Bahman, Zahra and Saeed (2013), had investigated the value relevance of audit report, auditor type and auditor tenure and their affects in emerging Iranian capital market. Empirical results showed that audit report has not the value relevance as per Iranian capital participants, while auditor type and auditor tenure have the value relevance in emerging Iranian capital market. Thus, the value relevance of the firms audited by government audit has more than firms audited by private audit. In addition, when the tenure of the auditor is long, it has a negative impact on the value relevance. Glen, Paul and Theodore (2011), studied the perception and misperception of financial statements preparers, users and auditors in connection with unqualified audit report.

Researchers conducted their study using focus group with five different stakeholders groups, financial statements preparers (CFOs), users (bankers and non-professional investors) and auditors in United States. The study results showed that financial statement users value the audit, but do not read the entire audit report. The researchers concluded their research by stating that unclear to users, preparers and auditor is what the audit report is intended to communicate or level of assurance being provided by the audit report. Stephen and Arnold (2012), evaluated the level of understanding of users for the messages conveyed by the standard audit report and the financial statements. The study's results revealed that the users consider the standard audit report as a key indicator that the fraud risk has been verified with a high degree of accuracy. Further, the standard audit report contributes in maintaining higher level of confidence in the company's management and assists users in making soundness decisions. They also found instances where the auditors and bankers differed from nonprofessional investors in the interpretation of technical terms in the standard audit report.

Paul, Theodore, Jerry and Glen (2011), Studied the communicative value of the auditor's report according to the primary users of the financial statements. Respondents indicate that the auditor's report is highly important to them. Further users of the financial statements pay little attention on the content of unqualified auditor's report due to their predetermined view as to what an unqualified auditor's means. Once it has been determined that an auditor's report is a "Standard" unqualified report, analysts generally do not process the auditor's report content, evidently because it confirms their prior understanding of the information quality of the clients financial statements. This finding is consistent with a parallel focus group study undertaken with a range of the users of financial reports. Majed, Ayman, Firas, and Abdullah (2012), would like to know the impact of audit report contents on Jordanian industrial public firms management and lenders decision making. Random sample
composed of 30 industrial public firm’s management and 10 lending banks. The results figured out that the audit report is inappropriate, insufficient and not completely neutral for decision making by both of them.

2.1. Statement of the Problem

The users of financial statements regarded the auditors as trustworthy and work in a high degree of dedication toward protection of their interests. Nevertheless, the auditors found participating in some fraud operations, like what happen to one of the biggest corporation in U.S Enron when KPMG auditors engaged in defrauding the money of Corporation and the primary reports showed that it affected more than 1 million shareholders. Such incident in this size resulted in slackening of the attitude of auditors among the public and caused reliability gap in the auditor's report.

On the other hand, Jasim and Shahrokh (2011), asked users regarding their perceptions in auditor independence in Bahrain, the results showed that users perceived factors impairing the auditor independence mainly the economic factors which in return are going to affect the effectiveness of the financial audit report.

2.2. Significance of the Study

Financial audit in Bahrain has got wide interest by different stakeholders. Such Jassim Al-Ajmi (2009) said, Bahrain's investors regarded the financial audit reports as a relevant source of information and highly used by them in decision making process. The role of investment banks in Bahrain cannot be ignored, since they are the engine of Bahrain Stock Market and the main contributor for the capital markets of Bahrain. Thus, the importance of this study is to highlight weakness spots which are existed in the financial audit report such as the ambiguity of contents, the lack of confidence in the results, or non-dependability in decision making and bring them into the light to the concerned parties in Bahrain mainly the government, the audit firms.

2.3. Research Methodology, Hypothesis and Analysis

First the researcher determined the main factors that the current study aimed to examine and proof throughout reviewing latest publications such as literatures, journals and articles that highlight the area of the current study. The researcher adopted Likert five point’s scale and questionnaire items were used by several studies and had achieved the intended purpose. The questionnaire was requesting the respondents to state their perceptions in the form of degree of agreement or disagreement on the effectiveness of financial audit report in Kingdom of Bahrain. Hence, the explored factors in study were found having a direct relation to the effectiveness of financial audit report and accordingly the researcher constructed the following hypotheses:

H₀₁: The audit report has no characteristics.
H₀₂: The use of financial audit is not enhancing the confidence of the investment banks on the financial statements.
H₀₃: The audit report has no positive effects on investment banks decisions.
H₀₄: The outcome of auditing is not cost effective in respect of resources consumed.

The questionnaire was handed over to 36 investment banks in Bahrain via personal visit, particularly to the risk department. Out of 36 respondents representing the investment banks, 30 were only received which is equal to 85.7% out of the total population. However, in order to cover the outstanding number of investment banks, the researcher had distributed 6 additional questionnaires on two investment banks only. The researcher assumed that the study covered 100% of the total population.

Thereafter, the analysis of the obtained responses will be carried out by using Statistical Package for Social Science (SPSS). Also the researcher will carry out the different statistical tests such as the reliability test, Mean, Standard Deviation, Standard Error Mean and Test of Hypothesizes. The results of reliability test showed that all the questionnaire items were reliable with Conbach’s Alpha percentage of reliability above 0.70.
The following table demonstrates the results of the test:

**Table 2. Reliability Statistics**

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.925</td>
<td>22</td>
</tr>
</tbody>
</table>

To test the hypothesis the researcher used the traditional approach and referred to the student distribution table to determine the critical value. The hypothesis test level of confidence was 95% and the critical value is 2.045, which the researcher considered to make the observations and decisions. And the following table provides a comprehensive demonstration for the results of mean test, standard deviation test, standard error mean test and the observations made.

**Table 3. Tests, Mean, Standard Deviation, standard error mean and Test Statistic**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Standard Error Mean</th>
<th>Test Statistic</th>
<th>Observation</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{01}$: The audit report has no characteristics.</td>
<td>4.1</td>
<td>0.85</td>
<td>0.12</td>
<td>8.2</td>
<td>Significant</td>
<td>$H_{01}$ Fail to reject $H_{11}$ Accepted</td>
</tr>
<tr>
<td>$H_{02}$: The use of financial audit is not enhancing the confidence of the investment banks on the financial statements.</td>
<td>3.99</td>
<td>0.82</td>
<td>0.14</td>
<td>7.6</td>
<td>Significant</td>
<td>$H_{02}$ Fail to reject $H_{12}$ Accepted</td>
</tr>
<tr>
<td>$H_{03}$: The audit report has no positive effects on investment banks decisions.</td>
<td>3.6</td>
<td>1.02</td>
<td>0.17</td>
<td>3.87</td>
<td>Significant</td>
<td>$H_{03}$ Fail to reject $H_{13}$ Accepted</td>
</tr>
<tr>
<td>$H_{04}$: The outcome of auditing is not cost effective in respect of resources consumed.</td>
<td>3.9</td>
<td>0.99</td>
<td>0.166</td>
<td>2.3</td>
<td>Significant</td>
<td>$H_{04}$ Fail to reject $H_{14}$ Accepted</td>
</tr>
</tbody>
</table>

3. CONCLUSION

From the proceedings analysis pertaining to the perceptions of investment banks in Bahrain on the effectiveness of the financial audit report, here are the main conclusions:

- The financial audit report is very important to Bahrain investment environment.
- The financial audit report is understandable, useful, and meaningful to the investment banks in Bahrain.
- The financial audit report is a reliable source of information.
- The auditing adds a weight to the financial statements.
- The majority of risk managers working at investment banks have auditing knowledge, no matter by academic or practice.
- The financial audit report is playing a key effective role in capital markets of Bahrain.
- The investment banks in Bahrain regarded the financial audit report as a cornerstone in decision-making.
- The financial audit report has more benefits than its cost.

REFERENCES


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