

THE ROLES OF AUDITORS' REPORT IN INVESTORS' DECISION MAKING IN NIGERIA

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ABSTRACT

Audit reports are an indispensable element in the decision process of lenders and investors. This work examined the roles of auditors' report in investors' decision making in Nigeria. Secondary data was used and descriptive method to analyze the mean, median, maximum, minimum and standard deviation, while Tobin's Q is applied to measure the influence of independent variables on the dependent variables for future firm performance through unit root test, ADF test and regression equation between both variables. Findings revealed that the auditors' report has positive effect on the investors' decision making in Nigeria, which is an indication that lack of proper auditors' report will lead to poor investors' decisions. The study recommended that auditors' report should be detailed and comprehensive because users rely on audit report in making decisions, be it investing and, or financing.

Keywords: Auditors' report, Investors' decision making, True and Fair view, Investment decisions

INTRODUCTION

The Companies Act requires every registered company to lay before its shareholders during the Annual General Meeting audited accounts comprising the statement of financial position and statement of comprehensive income for the year in question and annexed thereto and to be read together with the accounts, the auditors' report. Auditors are appointed by the shareholders to act as watchdogs over the management. Based on the level of investment and tedious work for the company, investors are not in constant touch with the day to day operations of the organization. The reason behind audit is to enhance the credibility of the financial statements by giving reasonable assurance from an independent source that they present a true and fair view of the state of the company and its affairs in conformity with accounting standard. Thus, investors satisfy themselves that their finances are being employed properly and for their interest.

Audit reports, by providing information on the auditor's opinion serve as a communication link between the auditor and the users of financial statements. The investors in emerging

markets are demanding more comprehensive audit report to enhance their decision making process. Indeed, there is a call for more detailed and certified information from an external auditor (Okere, Ogundana, Adetula, Adesanmi & Lawal, 2017). The auditor's report is considered an essential tool when reporting financial information to users. Since many third-party users require financial information to be certified by independent external auditors, many audio tapes rely on auditor reports to certify their information in order to attract investors, obtain loans, and improve public appearance. Some stated that financial information without an auditors' report is "essentially worthless" for investing purposes (Fundamental Analysis, 2007).

Auditors' report is a written letter from the auditor containing the opinion of whether a company's financial statements comply with generally accepted accounting principles (GAAP). The independent and external audit report is typically published with the company's annual report. The auditors' report is important because banks and creditors require it before lending to companies. Investment decisions made by shareholders and investment managers depend on audit report in several areas such as market qualities and risk portfolios. Investors are rational beings who apply financial techniques and plan their investments on risk-return basis (Okere, Ogundana, Adetula, Adesanmi & Lawal, 2017).

Companies go to great extents to have their accounts audited so that the auditors give their own opinion as to the "true and fair view" of the financial position of the organization. The auditors' report is the hallmark to third parties at the time of decision making. Thus, this work examined the role auditors' report play in investors' decisions.

LITERATURE REVIEW

Concept of Auditors' report

The concept of auditors' report has for a long time attracted attention from scholars, the business community and financial analysts. Both theoretical and empirical literatures exist showing researchers' interest in this area. Studies focused on the utility of audit report in prediction of corporate failure, their impact on stock prices of new and old issues as well as the impact on lending decisions of financial organizations. The auditors' report is a document containing auditors' opinion of whether a company's financial statements comply with GAAP.

The Audit report is a medium of communication between auditor and users of financial statement; it shows the most important part of auditors' activity and expresses the result of financial statements' assessment to users (Salehi & Abedini, 2008). It is important because banks, creditors, and regulators require an audit of a company's financial statements.

According to Harold (2019), auditors' report is a written opinion of an independent certified public accountant that a company's financial statements are a fair representation of the company's financial performance and financial position. The auditors' report is required for each corporation whose stock is publicly-traded. An auditors' report is considered an essential tool when reporting, financial information to users, particularly in business. Some have even stated that financial information without an auditors' report is "essentially

worthless" for investing purposes.

In the opinion of Al-Thuneibat (2009), the audit report is the report that contains the audit opinion which is issued by independent auditors after their examination on the entity's financial statements and related reports. Njoroge (1993), posits that mostly, those reports are issued based on the result of auditors' professional examination against the measurement criteria or standards. This is promoted by bestowing a duty of accountability on a company's management (Crowther & Jatana, 2005). For example, auditors perform their audit on how far the client's financial statement complies with relevant accounting standards. In other words, they review whether or not financial statements prepared present true and fair view in accordance with the accounting standards. Those standards could be IFRS, US GAAP or local GAAP.

After completing the tests, the auditor then issues the audit report on the financial statements that they just audited indicating their opinion on the financial statements. The audit report is used by many stakeholders, including entity's management, the board of directors, shareholders, investors, government body, banks, and many others. In most cases, the audit report is issued to cover financial statements over 12 months or one year period. According to Okere, et al. (2017) audit reports authenticate information that financial statements provide. Audited financial statements provide a basis for investment and financial decisions.

The auditors' report is a tested and reliable information source. Hoti, Ismajli, Ahmeti and Dërmaku (2012), opined that audit reports supplement the accounting information drawn from the financial reports, they provide an avenue for the increment of the integrity of management disclosures. Thus the coalition of audit reports and financial information can be a great determinant of numerous business events. Investors use audit report and audited financial statements to assess the entity's financial performance and financial position for their investment opportunity. Government agency uses the audit reports and financial statements to assess the completeness and accuracy of tax declaration.

Shareholders and the board of directors use the audit report to assess the integrity of management and transparency of financial statements. It should be noted that the audit reports should be of quality stating opinion on the true and fair view. Though it is difficult to measure the authenticity, quality, true and fair view of the auditors' report because of the amount of assurance the auditors provide is unobservable. Auditors too are in the business to make a profit and not to make a loss as they acted based on the directive of those that appointed them.

There are two ways to measure the quality of an auditors' report: one, consider outputs of the audit process, such as financial reporting quality which is often constrained by the firm's financial reporting system and innate characteristics (Mark and Jieying, 2014). Output-based proxies are appealing because they attempt to measure the level of audit quality delivered. An alternative way to infer audit quality is to consider using observable inputs to the audit process such as auditor size and audit fees. There are two categories of input-based proxies commonly used in literature: auditor-specific characteristics such as auditor size (captured by Big N membership) and industry specialization, and auditor-client

contracting features such as audit fees. Input-based proxies do not capture auditors' misconduct and are all based on actual observed characteristics which do not vary with the dimensions of directness, egregiousness, or actual-versus-perceived quality.

Types of Audit report

Different types of audit report contain different audit opinions and the main cause is from the different of misstatements found in the financial statements. Different types of audit reports represent a different level of assurance. There are four types of audit reports issued by auditors on financial statements. Each type of report contains different meanings and messages from auditors to users of financial statements. Those audit reports included the Unqualified Audit Report (Clean Audit Report), Qualified Audit Report, Disclaimer Audit Report, and Adverse Audit Report. The following are the detail of audit reports.

Unqualified Audit Report (Clean Audit Report) is the most frequent type of report which is referred to as the "Unqualified Opinion", and is regarded by many as the equivalent of a "clean bill of health" to a patient, and has led many to call it the "Clean Opinion". In reality it is not a clean bill of health, because the Auditor can only provide reasonable assurance regarding the Financial Statements, not the health of the company itself, or the integrity of company records not part of the foundation of the Financial Statements (Marshall, McManus &Viele, 2008). Unqualified Audit Report is issued by auditors on financial statements in which they found no material misstatements. This report contains the unqualified opinion from an independent auditor showing that the entity's financial statements as prepared, present true and fair view and complied with accounting framework being used.

An unqualified audit report is a good sign for all kinds of stakeholders willing to use the financial statements might find the audit report is clean or not from the opinion paragraph. The unqualified audit report not only apparently shows to the shareholders that financial statements are a true and fair presentation, and free from all material misstatements, but also imply that the management team has high integrity. However, before putting your trust in the audit report, make sure that the auditors who issued the reports are from independent audit firms. Big four audit firms are the firm that most of the shareholders put their trust in.

The qualified Audit report is the report issued by auditors to the financial statements that found material misstatements on them. But those material misstatements are not pervasive. For example, the opening balance of the entity contains a large number of inventories that could not be verified. In this case, the auditor issued a qualified audit opinion on the qualified audit report. The opinion of a Certified Public Accountant that a firm's financial statements deviate in some respect from a clean opinion according to generally accepted accounting principles (David, 2003). In these kinds of reports, only inventories that is mentioned matters, other information in the financial statements is true and fair. In terms of seriousness, the qualified audit report is more serious than unqualified due to material misstatements of the mentioned items or accounts in the financial statements.

The Adverse Audit Report is a type of audit report that is issued on financial statements

when auditors found that there are material misstatements in the financial statements. The misstatements found here are not only material misstated for them, but also affect other accounts and items in the whole financial statements. These are called pervasive. That means all the items and accounts in the whole financial statements could not be trusted by shareholders, investors, and other stakeholders. Generally, an adverse opinion is only given if the financial statements pervasively differ from GAAP (Messier & Emby, 2005). An example of such a situation would be the failure of a company to consolidate a material subsidiary.

In this report, auditors will list down the client name, financial statements that they were audited and the period the financial statements covered. The auditor will also state all misstatements found and how they affected financial statements as well as the users of financial statements. In most cases, the auditors also state all the material misstatements found under Others Matters which are the message to the users of financial statements to be aware of when they read the financial statements for their purpose.

The disclaimer audit report is the report that is issued where there is a matter of auditor's independence and those matter cause auditors not to be able to obtain sufficient audit evidence to support their opinion. The report is issued when the auditor could not form and consequently refuses to present an opinion on the financial statements. This type of report is issued when the auditor tried to audit an entity, but could not complete the work due to various reasons and does not issue an opinion. The disclaimer of opinion report can be traced back to 1949, when the Statement on Auditing Procedure No. 23: Recommendation Made to Clarify Accountant's Representations When Opinion Is Not Expressed was published to guide auditors in presenting a disclaimer (Robert, 2007).

This has happened when auditors were prevented access to certain information related to items or accounts in financial statements while those items or accounts are believed to be materially misstated and pervasive. Auditors might not issue the disclaimer opinion, if the restrictions are made only on the items or accounts that materially misstated but not pervasive. Although this type of opinion is rarely used, the most common examples where disclaimers are issued include audits where the auditee wilfully hides or refuses to provide evidence and information to the auditor in significant areas of the financial statements, where the auditee is facing significant legal and litigation issues in which the outcome is uncertain (usually government investigations), and where the auditee has going concern issues (the auditee may not continue operating soon) (Robert, 2007). Investors, lending institutions, and governments typically reject unaudited financial statement if the auditor disclaimed an opinion, and will request the auditee to correct the situations the auditor mentioned and obtain another audit report.

A disclaimer of opinion differs substantially from the rest of the auditors' report because it provides very little information regarding the audit itself, and includes an explanatory paragraph stating the reasons for the disclaimer. Although the report still contains the letterhead, the auditors name and address, the auditor's signature and address, and the report's issuance date, every other paragraph is modified extensively, and the scope paragraph is entirely omitted since the auditor is basically stating that an audit could not be affected.

Investors' Decision Making

Kahneman and Riepe (1998), the study of the decision making process are not considered relevant only to explain the dynamics of financial markets, but also to help financial advisors to develop their prescriptive activity of advising more effectively. The Investment Decision relates to the decision made by the investors or the top-level management in the amount of funds to be deployed in the investment opportunities. It is a big deal in terms of the fact that the financial statements prepared by the companies show reliable and timely information. Macroeconomic indicators and the financial position of the investors are the determinants of investors' decisions. Investors decide whether to invest in the shares of the enterprises by examining the financial position and results of operations (Coskun, Güner, & Okudan 2013 as cited by Atila & Fatih, 2017).

Simply, select the type of assets in which the funds will be invested by the firm is termed as the investment decision. These assets fall into two categories:

1. Long-Term Assets
2. Short-term Assets

The decision of investing funds in the long term assets is known as Capital Budgeting. Thus, Capital Budgeting is the process of selecting the asset or an investment proposal that will yield returns over a long period.

The first step involved in Capital Budgeting is to select the asset, whether existing or new based on benefits that will be derived from it in the future.

The next step is to analyze the proposal's uncertainty and risk involved in it. Since the benefits are to be accrued in the future, the uncertainty is high to its returns.

Finally, the minimum rate of return is to be set against which the performance of the long-term project can be evaluated.

The investment made in the current assets or short term assets is termed as Working Capital Management. The working capital management deals with the management of current assets that are highly liquid.

The investment decision in short-term assets is crucial for an organization as a short term survival is necessary for the long-term success. Through working capital management, a firm tries to maintain a trade-off between profitability and liquidity.

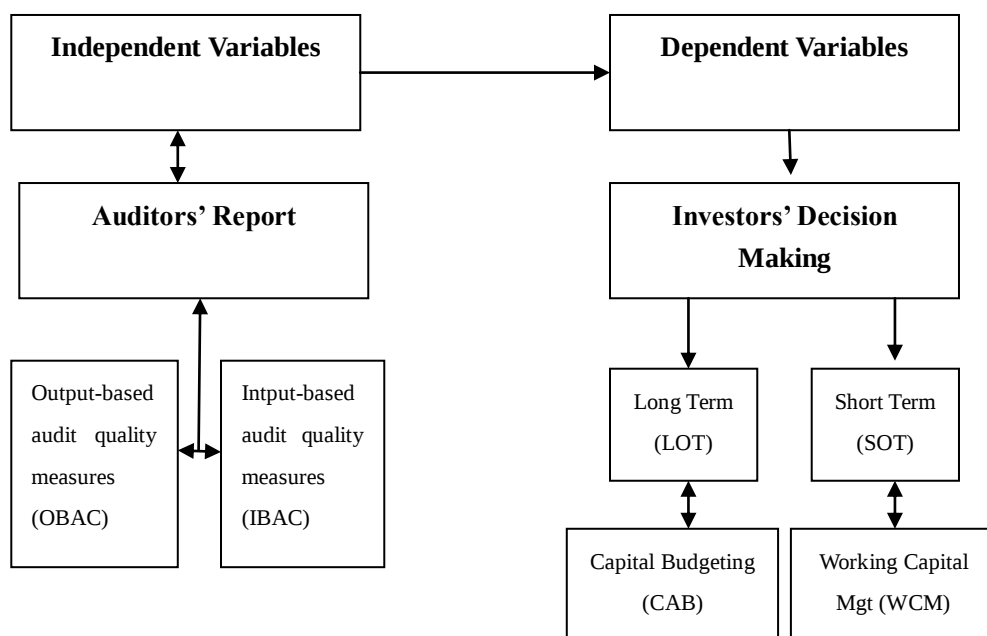
In case a firm has an inadequate working capital i.e. less funds invested in the short term assets, than the firm may not be able to pay off its current liabilities and may result in bankruptcy. Or in case the firm has more current assets than required, it can harm the profitability of the firm

Thus, a firm must have an optimum working capital that is necessary for the smooth functioning of its day to day operations.

According to the IASB (2010) as cited by Okere, Ogundana, Adetula, Adesanmi & Lawal,

(2017), the Financial Reports function is to provide relevant information to investors and also providers of resources as an indispensable element in the decision process of lenders and investors.

Conceptual Framework of the Roles of Auditors' report in Investors' Decision Making



Source: Researchers' Roles of Auditors' report in the Investors' Decision Making in Nigeria Model (2020)

THEORETICAL FRAMEWORK

The contractual arrangement between these parties normally requires that management issue a set of financial information that purports to show the financial position and results of operations of the entity. This study is anchored with credibility theory. Also, a brief analysis of the theories advocating the need for auditing giving rise to contractual arrangement under (a) Credibility Theory (b) Policeman Theory (c) Quasi-Judicial Theory and (d) Agency Theory.

Credibility Theory

This theory regards the primary function of auditing as adding credibility to financial statements provided by the company. Audited financial statements are used by management as agents, to enhance the principal's faith in the agent's stewardship and reduce the information asymmetry. According to this theory, the users gain benefits from the increased credibility, which has a direct impact on the quality of investment decisions as they are based on reliable information. However, Porter (1990) concludes, that "Audited information does not form the primary basis for investors' investment decisions". On the other hand, it is often asserted that financial statements have a function of confirming or authenticating messages that was previously issued (Hayes, et al., 1999). Based on this assertion, several authors have concluded that investors do not consider audited information as their principal support for investment. Therefore, this theory does not address the other functions the

investors expect the auditor to embrace regarding his attestation function.

Policeman Theory

This was the most widely held theory of auditing until the 1940s (Hayes, Schilder, Dassen, & Wallage, 1999). The policeman theory shows that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century, this was certainly the case. Under this theory, an auditor acts as a policeman arithmetical accuracy and on prevention and detection of fraud. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, still hotly debated as part of the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases with increasing the responsibilities of auditors in detecting fraud and due to its inability to explain the shift of auditing to, 'Verification of truth and fairness of the financial statements,' the theory seems to have lost much of its explanatory power.

Quasi-Judicial Theory

In this theory, the auditor is regarded as a judge in the financial distribution process (Hayes et al., 1999) further revealed more issues which counterbalance these first premises. First of all, the fact that auditor's decisions and the decision processes are not publicly accessible. Only the final audit opinion approving the financial statements is publicly available. Also, the principle of precedence is not guaranteed in auditing. Finally, the auditor's independence cannot be considered as equal as a judge's independence as a different reward system is involved (Salehi, 2011). However, the auditor's independence is nowadays guaranteed by an elaborated legal framework which gives the auditor a certain degree of authority. However, Porter concludes that (i) an auditor's decisions and decision process are not publicly available; (ii) the doctrine of precedence/consistency is not guaranteed in auditing, and (iii) an auditor's independence differs from a judge's independence because of the different reward system involved.

Agency Theory

Agency theory analyses the relationship between two parties: investors and managers. The agent (i.e. Manager) undertakes to perform certain duties for the principal (i.e. Investors) and the principal undertakes to reward the agent (Jensen & Meckling, 1976). According to this theory, the role of the auditor is to supervise the relationship between the manager and the owners. A gap expectation occurs when the distribution of the responsibility is not well defined. The responsibility of every part is well defined in the regulation. The manager and the owners have to realize that the auditor does not have the responsibility for the accounting, but only sees that the auditing is done properly (Andersson & Emander, 2005). Donaldson and Davis, (1991) in their own opinion argued that in a corporation, in which share ownership is widely spread, managerial behavior does not always maximize the returns of the shareholders.

The degree of uncertainty about whether the agent will pursue self-interest rather than

comply with the 41 requirements of the contract represents an agent risk for an investor (Fiet, 1995). Given that principals will always be interested in the outcomes generated by their agents, agency theory demonstrates that accounting and auditing have an important task in providing information and this task is often associated with stewardship, in which an agent reports to the principal on the companies' events (Ijiri, 1975). The demand for auditing is sourced in the need to have some means of independent verification to reduce record keeping errors, asset misappropriation, and fraud within business and business organization.

METHODS

The gathered data are sorted and ordered in Excel sheet using secondary data and descriptive method was used to analyze the mean, median, maximum, minimum and standard deviation, while Tobin's q is applied to measure the influence of independent variables on the dependent variables for future firm performance through unit root test, ADF test and the establishment of the regression equation between the study variables.

Model Specification

The following mathematical model was developed to analyze the relationship between Auditors Report and Investors' Decision Making in Nigeria using the auditors' report as the independent variables and regressed against the dependent variables, investors decision making, the variables to measure both are output base audit control, (OBAC), input base audit control (IBAC), long-run (LOT), short-run (SOT), capital budgeting (CAB) and working capital management (WCM)

To discover the influence of the auditors' report on investors' decision making, the following linear regression equation is adopted:

This study employed this model which is specified below.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon \dots \dots \dots 3.1$$

$$Y_{it} = \alpha_{it} + \beta_1 OBAC_{it} + \beta_2 IBAC_{it} + \beta_3 LOT_{it} + \beta_4 SOT_{it} + \beta_5 CAB_{it} + \beta_6 WCM_{it} + \epsilon_{it} \dots \dots \dots 3.2$$

Where Y Represent dependent variables (Investors' decision making) and X1-X6 will be the independent variable and other control variables for dependent variables

α = the constant term

OBAC = Output base audit control

IBAC = Input base audit control

LOT = Long term

SOT = Short term

CAB = Capital budgeting

WCM = Working capital management

B = the coefficient of the function

e = error term.

RESULTS AND DISCUSSIONS

Table1: Summary of Analysis

	OBAC	IBAC	LOT	SOT	CAB	WCM
Mean	3.55	1.94	1.45	1.07	1.77	1.94
Median	3.30	1.69	1.38	1.43	2.01	1.69
Max	4.38	2.77	2.39	2.12	3.02	2.77
Min	2.70	1.09	0.00	-1.46	-0.22	1.09
Std. Dev.	0.57	0.57	0.53	0.98	0.95	0.57
Skewness	0.15	0.15	-0.65	-1.27	-0.69	0.15
Kurtosis	1.49	1.49	3.40	3.42	2.40	1.49
Sum Sq. Dev.	8.63	8.63	7.47	25.01	23.52	8.63

Source: Researchers' computation, (2020)

Table 1 provides a summary of the analysis and observations made during data analysis, mean, median, maximum, minimum, and standard deviation are some of the measures considered to describe a data set of both dependent and independent variables in the study.

Unit Root Test

Table 2: Test Results for Stationery through the ADF Test

Variables	ADF Value	ADF Critical Value	Proba	Inference
LogOBAC	3.71	2.98*	0.46	Stationary at level
LogIBAC	7.23	3.71*	0.27	Stationary at level
LogLOT	4.04	2.25*	0.005	Stationary at level
LogSOT	4.63	-3.72	0.001	Stationary at level
LogCAB	3.87	3.61*	0.007	Stationary at level
LogWCM	3.22	2.65**	0.10	Stationary at level

*1% level of significance, **5% level of significance

Source: Researchers' computation, (2020)

For estimation purposes, the initial model for the roles of Auditors Report on Investors' Decision Making in Nigeria is determined using the OLS model based on Equation 1. Results in table 2 regarding an estimated equation show that all variables output base audit control (OBAC), input base audit control (IBA), long term (LOT), short term (SOT), capital budgeting (CAB) and working capital management (WCM) are stationary at their level. The Augmented Dickey-Fuller (ADF) test conducted provides a summary of statistical values as shown in Table 2 and confirms that all independent variables are stationary at their levels either 1% or 5% level

Table 3: Estimated Equation

Variable	Coeff	Std. Error	t-Stat	Prob.
C	1.609	3.201	5.032	0.072
LOGOBAC	0.571	1.931	4.443	0.280
LOGIBAC	0.321	1.941	1.711	0.102
LOGLOT	-0.191	1.471	-4.202	0.001
LOGCAB	0.467	1.061	-0.442	0.662
LOGWCM	0.437	3.871	2.596	0.430
R-squared	0.695	S.E. of regression		4.170
Adjusted R-squared	0.670	Prob. (F-statistic)		0.00004
F-statistic	0.926	Mean dependent variance		3.557
S.D. dependent var	0.576	Durbin-Watson statistic		1.146
		Sum squared residual		3.662

Source: Researchers' computation, (2020)

Equation Estimation

The result of the model specification indicates that OBAC, IBAC and WCM have a positive effect on Investors' decision making. For instance, a 10 percent change in output base audit control will lead to an increase investor decision making by 5.7 per cent, 10 per cent change in input base audit control will increase investors decision making by 4.3 per cent and 10 per cent increase in working capital management as well will lead to increase in investors decision making by 3.2 per cent. Capital budgeting, which is used as macroeconomic variable tends to affect the investors' decision making whereby the increase in their capital budgeting contributes to investors' decision making levels by 4.6 per cent both in the short and long run. However, the results indicate an inverse relationship between investors' decision making and capital budgeting 10 per cent change in working capital management will cause a reduction in investors' decision making by 1.9 per cent.

The R - square is the square of the simple correlation coefficient between various results and produced values. The independent variables contribute 69.5 per cent of overall investors' decision making while the reminder 30.5 per cent is for other variables not determined in this study. The results are indicated in table 3.

Diagnosics Test Results

Table 4: Diagnostic Test Results

Test Type	Null Hypothesis	Stat	Proba	Inference
Heteroskedasticity Test: ARCH	ARCH effect does not depict errors	F-Stat = 0.5379	Prob. Chi-Square = 0.1468	Fail to reject H_0
Heteroskedasticity Test: Breusch-Pagan-Godfrey	No Heteroskedasticity	F-Stat = 1.4494	Prob. Chi-Square = 0.2886	Fail to reject H_0
Ramsey RESET Test	Correct model Specification	F-Stat = 2.3492	Prob. Chi-Square = 0.4163	Fail to reject H_0
Breusch-Godfrey Serial Correlation LM Test	No serial correlation in the residual	F-Stat = 1.3445	Prob. Chi-Square = 0.1641	Fail to reject H_0
Jarque-Bera Statistic	Residuals are normally distributed	Jarque-Bera Stat = 1.3762	Prob = 0.5025	Fail to reject H_0

Source: Researchers' computation, (2020)

To ascertain the model specification robustness, residual and stability diagnostics tests were carried out and the results are as shown below in table 4. The results indicate that the regression model is appropriate. The model does not suffer from heteroskedasticity, non-normal distribution of residuals, serial correlation, or model misspecification.

Discussion of Findings

The regression model revealed a contemporaneous positive and significant impact given that about 85 per cent of the variation of the dependent variable (Investors' decision making) is jointly explained by changes in the behaviour of OBAC and IBAC. The relatively high adjusted R^2 of 0.87 or 87 per cent revealed that the model is a good fit.

OBAC has a statistically contemporaneous positive and significant relationship with investors' decision making, this is, given the fact the Probability value of OBAC is 0.028 and this is less than the critical value of 0.1. Also IBAC had a statistically positive significant relationship with investors' decision making given the probability value of 0.013 and less than a critical value of 0.1.

The coefficient of OBAC is statistically significant as shown by both the corresponding standard error and t-values. Thus, Cumulative output base audit control is elastic to the long run. This positivity of the coefficient of the auditors' report conforms to the investors' decision making a priori expectation of a positive impact on output base audit control on the long runs. Furthermore, the result obtained from the regression shows that input base audit control (IBAC) has a positive impact on capital budgeting. This is indicated in its positive coefficient 0.321. However, input base audit control is elastic to capital budgeting, working capital management, short and long run since the standard error and t-values revealed that the coefficient is statistically significant.

The probability F-statistics show the overall significance of the regression model. F-sig. level of .000045 is less than 0.1 which suggests that H_0 should be rejected. Therefore, input base audit control has a significant and positive impact on capital budgeting, thus the auditors' report is an instrument for investors' decision making in Nigeria. This means that both OBAC and IBAC have a contemporaneous positive and significant impact on all the dependent variables. The results of the study analysis have shown that input base audit control and output base audit control have contemporaneous and positive impact on investors' decision making in Nigeria.

The SPSS is used to analyze the regression equation to find the impact of the auditors' report on investors' decision making in Nigeria. The findings of the study revealed that all the independent variables have a positive and significant impact on dependent variables, the short term which is part of the component of investors' decision depict a negative critical value of -3.72 but not significant at stationary level. The overall situation in terms of investors' decision making is satisfactory as shown by the input base audit control 3.71*. This is because input base audit control is greater than 1 per cent, which indicates a strong positive relationship. In addition to that, the variety of the audit reports are very high among the other control variables, the intercept of the regression equations shows that if all the independent variables are zero or the short run did not exist, then the investors' decision making will be positive which shows that in the absence of the auditors' report will be positively influenced. The study further revealed that an increase in input base audit

control will increase the investors' decision making (calculated by Tobin's q) and vice versa. It means that the auditors' report has positive on the investors' decision making in Nigeria, which is an indication that lacks of proper auditors' report will lead to poor investors' decision making in Nigeria.

CONCLUSION

The auditor's opinion as intermediary information between the company and external users throughout the audit report is a determinant for the shareholders to decide whether to invest or not. Investors, in particular, decide whether to invest in the shares of the enterprises by examining the financial position and results of operations (Coskun, Güner & Okudan, 2013). The financial statements are considered an important source, not only for gauging the performance of the entity, but also for understanding how funds invested in organizations have been used and how they enabled those stakeholders in the entity to make informed decisions. The users of audit reports consider the information provided in the auditor's opinion as useful and important when making decisions, both regarding their decisions of investing in and financing companies as well as the amount of the investment or the loan to grant. The audit report is indeed useful for those interviewed when making decisions, proving to be so by the fact that it affects the investment and financing decisions carried out by investors respectively.

Based on the above assertions, the following recommendations are made:

1. The auditors' report should be comprehensive since the users consider audit report information as useful when making decisions, both relating to decisions of investing in, financing organizations and the volume of investment.
2. For the auditors' report to be useful, the report content should be extended to include areas and subjects, such as illegal act discovery, evaluation of internal controls, and the evaluation of the firm's continuity ability to increase investors' confidence.
3. The auditors' report should be related to provide information on issues affecting continuity and a comprehensive opinion paragraph is needed for the investors.
4. Investors should be enlightened on audit reports to enable them to comprehend the content of audit reports and see its value.

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