

**AUDITOR-STAKEHOLDER RELATIONSHIP AND PUBLIC TRUST IN FINANCIAL REPORTING.****OLAJUMOKE R. OGUNNIYI***Department of Accounting**Kola Daisi University, Ibadan, Oyo State, Nigeria**olajumoke.ogunniyi@koladaisiuniversity.edu.ng***Abstract**

The reliability of financial reports hinges on audit quality and stakeholder trust. While many studies have explored audit quality and expectation gaps, few have examined how auditors foster public confidence through their relationships. This research examined the impact of auditor-stakeholder interactions on public trust in Nigerian financial reports. Grounded in Stakeholder, Agency, Information Asymmetry, and Trust theories, it conceptualised the auditor-stakeholder relationship as a multifaceted construct encompassing communication, post-audit engagement, gap management, transparent reporting, disclosure of limitations, and stakeholder involvement. The study population is infinite, and the sample size of 196 was calculated using Cochran's formula. Data were collected via an online questionnaire on Google Forms, adapted from validated tools measuring audit expectation gaps, auditor communication, stakeholder perceptions, audit credibility, and public trust, with Nigeria-specific modifications. Analysis was conducted using ordinary least squares regression. The study revealed that regular engagement between auditors and stakeholders boosts public trust ($\beta = 1.1765$ and $p < 0.001$), indicating that increased communication enhances trust. Audit findings reported clearly and transparently also positively influence trust ($\beta = 0.5048$ and $p = 0.023$). Other communication variables are positively related but not significant. This study advances the auditing literature by broadening the understanding of audit credibility from a purely technical compliance perspective to a relational viewpoint. Future research could employ longitudinal or mixed-methods approaches to examine how ongoing auditor-stakeholder engagement influences trust over time.

Keywords: Auditor-stakeholder relationship; Public trust; Financial reporting credibility; Audit communication; Stakeholder engagement.

Introduction

The accuracy of financial reporting is essential to effective markets, governance, and decision-making. Financial statements provide vital information to investors, creditors, and regulators, but their usefulness depends on confidence in their credibility and assurance processes (Knechel, 2021; Hermanson et al., 2024; Christensen et al., 2014). External audits play a critical governance role by reducing information asymmetry between insiders and stakeholders and by ensuring that reported data accurately reflects performance (Jensen & Meckling, 1976; Knechel, 2021).

Despite the importance of external audits, concerns about their credibility persist. Recent corporate failures, audit deficiencies, and regulatory issues have fuelled debates about audit effectiveness and stakeholder expectations (Knechel, 2021; Public Company Accounting Oversight Board [PCAOB], 2024). These issues sustain the audit expectation gap. This audit concept describes the difference between what users expect auditors to achieve and what they are required to do under the standards (Porter, 1993; Al Qahtani et al., 2025). While auditors provide reasonable assurance that financial statements are free from material misstatements, stakeholders often expect them to detect all fraud,

prevent failures, and ensure sustainability (International Auditing and Assurance Standards Board [IAASB], 2023; Deepal & Jayamaha, 2022).

The persistent audit expectation gap undermines credibility and public trust. Studies show that misunderstandings about auditors' responsibilities, particularly regarding fraud detection, audit scope, and assurance limits, shape perceptions of effectiveness (Ilemona & Ikpor, 2023; Alao et al., 2026). In developing economies such as Nigeria, issues with reporting quality, regulation, and stakeholder awareness may further erode confidence in assurance services (Alao et al., 2026).

While previous studies focused on audit quality, independence, and stakeholder knowledge, recent evidence shows that the audit expectation gap also has a relational dimension. Auditing effectiveness depends on technical skills and communication, including explaining roles, audit results, and limitations, as well as engaging with users (Knechel, 2021; Christensen et al., 2014). Positive interactions can reduce uncertainty, enhance understanding, and boost confidence in financial reports (PCAOB, 2024).

The auditor–stakeholder relationship broadens public trust in financial reporting by emphasising communication, transparency, and stakeholder engagement alongside auditor competence and independence. Clear explanations, open communication, and greater transparency help stakeholders understand the value and limits of the audit (Knechel, 2021; Christensen et al., 2014).

Auditor–stakeholder relationships are vital, as agency theory holds that auditing resolves conflicts by validating financial data (Jensen & Meckling, 1976). Their success depends on stakeholders' understanding of auditors' responsibilities. Information asymmetry theory shows that knowledge gaps between auditors and users can lead to unrealistic expectations (Akerlof, 1970; Al Qahtani et al., 2025). Clear communication and engagement are crucial for reducing misunderstandings and building trust.

Trust theory holds that confidence develops through consistent, transparent interactions (Rotter, 1967). In auditing, stakeholder trust improves when auditors are open, provide clear explanations, and communicate effectively on audit processes and outcomes. Recent regulations also emphasise transparency and stakeholder communication as key to boosting confidence in audit results (PCAOB, 2024).

Despite growing recognition of the importance of communication and transparency in auditing (Whitfield et al., 2024; Bepari et al., 2024; Rousseau & Zehms, 2024; Bhandari et al., 2025), little empirical research has examined how the broader auditor–stakeholder relationship influences public trust in financial reporting (Knechel, 2021; Bepari et al., 2024; Christensen et al., 2026). Most studies focus on isolated audit attributes such as audit quality, independence, and expectation gaps, with less emphasis on communication, engagement, transparency, and disclosure. This gap is particularly relevant in Nigeria, where concerns about the credibility of financial reporting and confidence in assurance services persist among regulators, investors, and stakeholders (Ilemona & Ikpor, 2023; Alao et al., 2026).

Arising from the identified gap detailed above, this study examines how auditor–stakeholder relationships shape public trust in Nigerian financial reports. It advances the literature by shifting the focus from stakeholder misconceptions to the relational mechanisms that build confidence. It conceptualises the auditor–stakeholder relationship as multidimensional, encompassing

communication, engagement, transparency, and disclosure, and provides empirical evidence from an emerging economy, where building trust in financial reporting is vital for corporate governance and market confidence.

The rest of the paper discusses related concepts, relevant theories and reviews related extant literature. These are followed by the research methods, results of analysis, and discussion of findings, while the conclusion, recommendations, and suggestions for further studies cap the study.

Literature Review

This section reviews the literature on auditors and stakeholders, focusing on their impact on public trust in financial reporting. It defines key concepts, examines relevant theories, and summarises empirical findings from international and Nigerian studies, highlighting themes, differences, unresolved issues, and gaps. These insights inform the study's framework and hypotheses.

Conceptual Review

Public Trust in Financial Reporting

Public trust in financial reporting depends on stakeholders' confidence in the information's credibility, reliability, transparency, and usefulness for decision-making (Langella et al., 2023; McCoy et al., 2024; World Bank, 2025). Reports serve investors, creditors, regulators, and others. Their value hinges on compliance with standards and the perceptions of credibility and assurance (DeFond & Zhang, 2014; Gold et al., 2020; IAASB, 2023). Trust in financial reports is crucial because managers hold more internal information, while outsiders rely on financial statements. According to agency theory, audits help close this information gap by ensuring report reliability (Jensen & Meckling, 1976). Additionally, trust depends on views of auditor independence, transparency, reporting quality, and accountability (Knechel, 2021; Christensen et al., 2014).

Contemporary auditing research shows that audit credibility extends beyond verifying financial statements. Stakeholders' trust depends on clear communication of responsibilities, key issues, limitations, and accountability. Recent shifts towards greater disclosure and transparency emphasise that stakeholder understanding is vital to audit value (Knechel, 2021; IAASB, 2023; PCAOB, 2024). In Nigeria, trust in financial reporting is essential for capital markets, investment, and corporate responsibility through credible audits. Low trust highlights the need for assurance mechanisms to boost stakeholder confidence. Building public trust requires refining audit procedures, improving auditor communication, and engaging stakeholders to enhance perceived reliability (Deepal & Jayamaha, 2022).

Auditor–Stakeholder Connection

The link between auditors and stakeholders involves interactions, communication, and accountability, all of which are crucial for understanding and trusting audit results. Once viewed as a technical, independent financial opinion, the audit now also entails transparent communication, expectation management, openness, and trust-building (Knechel, 2021; IAASB, 2023).

Auditor-stakeholder relationships are rooted in agency and information asymmetry theories. Agency theory suggests that auditors help resolve conflicts of interest by providing independent financial verification (Jensen & Meckling, 1976). The success of this role relies on stakeholders' understanding and trust in auditors. Poor communication can create gaps, reducing confidence in financial reports (Deepal & Jayamaha, 2022; Al Qahtani et al., 2025). Stakeholder theory broadens this perspective,

emphasising that auditors operate within an accountability network involving investors, regulators, creditors, and report users (Freeman, 1984; Goyal, 2022). Nowadays, auditors need to communicate key audit matters, judgments, and their implications more transparently, moving beyond offering opinions alone. Recent updates in auditor reporting indicate a shift toward increased transparency and stakeholder involvement (Christensen et al., 2014; IAASB, 2023). Overall, auditor–stakeholder relationships play a crucial role in effective auditing by turning technical assurance into trustworthy information. They involve communication, transparency, disclosure, and engagement to reduce uncertainty, manage expectations, and strengthen trust in financial reports.

Dimensions of the Auditor–Stakeholder Relationship

The auditor-stakeholder relationship is complex, encompassing communication, disclosure, engagement, and expectation management. While traditional views emphasise technical skills, independence, and compliance with standards, recent research shows that trust also depends on the quality of interactions and the clarity of information (Knechel, 2021; IAASB, 2023). This study identifies three key aspects: communication and clarification of responsibilities, transparency and disclosure, and stakeholder involvement.

Clarification of Auditor Communication and Responsibilities

Auditor communication involves clearly explaining audit goals, responsibilities, procedures, conclusions, and limitations in a way that is relevant to the audience. Effective communication is crucial, as misunderstandings often arise from gaps between audit duties and stakeholder expectations (IAASB, 2023; Porter, 1993; Al Qahtani et al., 2025; Gold et al., 2020; Sirois et al., 2018).

Information asymmetry theory holds that auditors possess specialised knowledge of audit procedures and assurance limits, whereas many financial statement users lack an understanding of auditing. This gap can create unrealistic expectations, such as the belief that auditors should prevent all fraud, ensure survival, or detect every irregularity (Akerlof, 1970; Porter, 1993).

Clear communication of auditor responsibilities reduces expectation gaps and enhances stakeholders' understanding of audit results. Recent developments in audit reporting highlight the need for transparent explanations of key issues, judgments, and limitations to inform users better (IAASB, 2023; Knechel, 2021). Auditor communication is thus more than information exchange; it builds trust by enabling stakeholders to assess the auditor's credibility and the reliability of the report.

Practices for Transparency and Disclosure in Audits

Audit transparency means that auditors provide clear, accessible information on procedures, key issues, judgments, and reporting boundaries. Enhancing transparency improves audit usefulness by helping stakeholders understand how conclusions and judgments are reached. Expanded auditor reporting and key audit matter disclosures meet the demand for clearer communication between auditors and financial statement users. Studies show that detailed information on key audit issues improves users' understanding and perception of audit value (IAASB, 2023; Christensen et al., 2014; Sirois et al., 2018; Gold et al., 2020).

Transparency requires clear, meaningful disclosures that enable stakeholders to understand audit results. If disclosures are overly technical or omit audit limitations, they may fail to reduce uncertainty. Disclosing audit limitations, defining the scope of assurance, and explaining audit capabilities help set realistic expectations and build trust in auditors' accountability (IAASB, 2023).

Stakeholder Engagement and Post-Audit Interactions

Stakeholder engagement involves auditors communicating with users of financial information to address concerns, clarify findings, and improve understanding of assurance procedures. Modern views emphasise building meaningful relationships with users, highlighting the value beyond merely issuing an opinion (Knechel, 2021).

From a stakeholder theory perspective, legitimacy and accountability increase when professionals maintain strong relationships with those affected by their actions (Freeman, 1984; Goyal, 2022). In auditing, engagement enables auditors to share findings, explain opinions, and clarify audit responsibilities. Post-audit discussions engage stakeholders by clarifying audit findings and key issues, particularly in contexts where users lack advanced technical auditing knowledge. Stakeholder engagement broadens auditors' role from merely verifying financial statements to promoting accountability and trust. It helps improve perceptions of transparency, reliability, and trustworthiness in financial reports.

Audit Expectation Gap

The audit expectation gap is the difference between stakeholders' expectations and the standards auditors are held to (Porter, 1993). It undermines trust, as stakeholders often judge effectiveness beyond auditors' duties. Studies highlight persistent misunderstandings about auditors' roles in fraud detection, corporate failure prevention, and assurance levels, all of which affect credibility (Deepal & Jayamaha, 2022; Al Qahtani et al., 2025).

The expectation gap comprises two parts: the reasonableness gap and the performance gap. The reasonableness gap arises when stakeholders expect auditors to do more than their responsibilities. The performance gap occurs when auditors fail to meet standards (Porter, 1993). Improving audit credibility requires not only higher quality but also clearer communication about audit goals, responsibilities, and limits. Recent developments in audit reporting emphasise the need for clearer communication to reduce misunderstandings and enhance usefulness (IAASB, 2023).

This study highlights the importance of addressing the expectation gap in auditor communication and stakeholder relationships. Misunderstandings often arise because users lack understanding of audit procedures, assurance limits, and responsibilities. Improving communication, transparency, and engagement can reduce expectation gaps and build trust in audits (Knechel, 2021; Christensen et al., 2014).

In Nigeria and similar economies, narrowing the expectation gap is vital because trust in financial reports depends on credibility, governance, and audit accountability. Studies show that improved auditor communication and stakeholder reporting enhance understanding and confidence (Deepal & Jayamaha, 2022; Knechel, 2021). Strengthening auditor-stakeholder links can reduce uncertainty, align expectations, and boost trust in financial disclosures.

The conceptual connection between the auditor–stakeholder relationship and public trust in financial reporting.

The link between auditor–stakeholder relationships and public trust rests on audit credibility, grounded in technical assurance and relational interactions. While audit quality, independence, and competence are foundational, stakeholder trust also depends on how effectively auditors communicate, clarify their judgments, disclose limitations, and engage with users (Knechel, 2021; IAASB, 2023). Enhanced

auditor communication and transparency reduce uncertainty by improving stakeholders' understanding of audit processes (Akerlof, 1970). Agency theory suggests that auditors enhance accountability by minimising information gaps between management and external users (Jensen & Meckling, 1976). Effectiveness depends on stakeholders perceiving auditors as credible and responsive. Recent research shows that improved communication and reporting increase stakeholder understanding and audit value (Christensen et al., 2014; Gold et al., 2020). Stakeholder theory shows that auditors operate within a network of investors, regulators, creditors, and users of financial information (Freeman, 1984; Goyal, 2022). Trust depends on professional standards and on interactions with stakeholders. Communication, transparency, disclosure, and engagement reduce uncertainty, enhance accountability, and boost the credibility of reports (Knechel, 2021).

This study views the auditor–stakeholder relationship as multidimensional, encompassing communication, transparency, disclosure, and engagement, all of which influence public trust in financial reporting. It goes beyond traditional views by emphasising that confidence in audited data is built on assurance quality and relationships. The research aims to explore whether stronger ties improve trust in audited financial reports in Nigeria.

Theoretical Background

The link between auditor–stakeholder interactions and public trust is explained by four theories: Agency, Information Asymmetry, Stakeholder, and Trust. These theories clarify why external audits matter, address knowledge and expectation gaps, and show how effective interactions boost confidence in financial reports (Jensen & Meckling, 1976; Akerlof, 1970; Freeman, 1984; Rotter, 1967; Knechel, 2021; Knechel, 2021). Agency Theory views auditing as a governance tool that helps minimise conflicts between managers and stakeholders by providing independent validation of financial data. It suggests that, because managers have better access to internal information, external audits are essential to enhance accountability and the trustworthiness of corporate disclosures (Jensen & Meckling, 1976). Recent studies support the view that independent assurance remains vital for reducing information risks, strengthening corporate governance, and increasing stakeholder confidence in financial reports (Knechel, 2021; Christensen et al., 2014).

The Information Asymmetry Theory explains how knowledge gaps between auditors and users can lead to misunderstandings about audit responsibilities, assurance, and reporting limits (Akerlof, 1970). Because auditors possess specialised expertise, communication issues can create unrealistic expectations, particularly regarding fraud detection and business failure prevention (Al Qahtani et al., 2025). Recent studies emphasise that improving audit communication and transparency is vital for closing expectation gaps and enhancing stakeholder understanding (PCAOB, 2024; Deepal & Jayamaha, 2022).

Stakeholder Theory broadens the analysis by highlighting that auditors serve a broader public interest, not merely their traditional ties to management and shareholders. It recognises that investors, creditors, regulators, employees, and other stakeholders rely on trustworthy financial information to inform their decisions, thereby necessitating meaningful communication with assurance providers (Freeman, 1984; Goyal, 2022). Recent advances in auditing, such as enhanced auditor reporting and increased disclosure of key audit matters, demonstrate a growing focus on stakeholder-centred communication and accountability (Gold et al., 2020; Christensen et al., 2014).

Trust Theory shows that transparency, reliability, competence, and communication build stakeholder confidence in audits. Since users cannot observe procedures, trust depends on perceptions of auditor credibility and integrity (Rotter, 1967). Recent research finds that trust improves when auditors communicate clearly, disclose relevant information, and remain transparent, thereby boosting confidence in financial reports (Knechel, 2021; PCAOB, 2024).

These theories collectively explain how auditor-stakeholder relationships affect public trust in financial reporting. Agency Theory emphasises governance, Information Asymmetry highlights communication, Stakeholder Theory focuses on user engagement, and Trust Theory highlights relationship-driven confidence in audits (Knechel, 2021; Christensen et al., 2014; Alao et al., 2026).

Empirical Review

Research on audit credibility focuses on audit quality, independence, reporting, and the audit expectation gap as key confidence factors. Evidence shows that auditor competence, independence, and adherence to standards are vital for reliable information (DeFond & Zhang, 2014; Christensen et al., 2014). Recent studies highlight the importance of communication, clarifying responsibilities, and stakeholder management (Knechel, 2021; Christensen et al., 2014). The changing financial landscape has increased stakeholder expectations for clearer explanations of audit issues, judgments, restrictions, and results, making communication quality, transparency, disclosure standards, and stakeholder engagement essential for trust (IAASB, 2023; PCAOB, 2024). Empirical evidence suggests that better reporting and transparency enhance understanding, yet much research emphasises formal methods over broader auditor-stakeholder interactions. Public trust depends on transparent information and perceptions of accountability and credibility (Knechel, 2021). This study views the auditor-stakeholder relationship as multidimensional, analysing communication, transparency, engagement, and disclosure across different economies.

Audit communication, transparency, and stakeholder confidence

Empirical evidence from developed economies shows that audit effectiveness increasingly depends on auditors' communication skills, which improve stakeholders' understanding of financial risks and audit conclusions. While independence and expertise are vital for credibility, studies indicate that stakeholders value clarity, relevance, and accessibility in communication (Gold et al., 2020; Christensen et al., 2014). Research on expanded auditor reporting shows that additional disclosures help stakeholders understand key audit issues and enhance their view of audit usefulness. Critical audit matters disclosures, which identify areas requiring significant auditor judgement, help investors interpret audit results and assess the trustworthiness of financial reports (Christensen et al., 2014; Sirois et al., 2018; Gold et al., 2020). Recent advances in audit reporting are shifting from pass/fail to detailed insights that clarify risks, issues, and conclusions. Stakeholders prefer detailed explanations (Christensen et al., 2014; Gold et al., 2020; IAASB, 2023). Evidence shows that greater disclosure does not resolve stakeholder uncertainty. Increased information may still lead to misunderstandings about auditor responsibilities, the scope of assurance, or the auditor's role in preventing failures. Confidence depends on both disclosure and effective communication (Köhler et al., 2020; Knechel, 2021; PCAOB, 2024).

Existing evidence highlights the importance of audit communication and transparency in building trust in financial reporting. However, studies mainly focus on formal reporting, such as key audit matters and expanded reports, with less attention to the overall auditor-stakeholder relationship as a trust-building mechanism. This gap suggests exploring whether relational audit practices are vital to public confidence. Understanding the Audit Expectation Gap, Information Asymmetry, and Stakeholder Perceptions in Emerging Economies. Emerging economies show that audit credibility depends on

stakeholders' understanding of auditor roles, scope, and access to financial information. Often facing greater information gaps, trust issues, and lower financial literacy, they misunderstand the purpose and limits of auditing (Deepal & Jayamaha, 2022; Al Qahtani et al., 2025). Research indicates that the audit expectation gap weakens confidence in financial reporting, as stakeholders wrongly expect auditors to prevent failures and detect all fraud due to misunderstandings (Deepal & Jayamaha, 2022).

Recent studies show that closing the expectation gap requires more than improved audit procedures or regulations. Clear communication of auditors' duties, limitations, and conclusions helps reduce uncertainty and improves stakeholders' perceptions of audit effectiveness. Poor communication can lead users to view audit results negatively, even when auditors comply with standards (Al Qahtani et al., 2025). Evidence from emerging markets shows that institutional conditions shape stakeholder expectations of auditors. In environments with lower confidence in corporate institutions, auditors are expected to be more accountable, transparent, and responsive. Their role extends beyond issuing opinions to enhancing stakeholder understanding and confidence in financial reports (Knechel, 2021; Christensen et al., 2014). Research in emerging economies examines the audit expectation gap, the divergence between auditors' responsibilities and stakeholder perceptions, driven by limited understanding, assurance limits, and the role of fraud (Deepal & Jayamaha, 2022; Al Qahtani et al., 2025; Alao et al., 2026). Few studies explore how auditors reduce uncertainty and build trust. While communication and interaction shape perceptions of audit quality, how they foster confidence remains underexplored (Knechel, 2021; Christensen et al., 2014). Future research should investigate how transparency and engagement enhance trust.

Auditor Credibility and Public Trust in African Financial Reporting Contexts

African financial reporting contexts are vital to understanding auditor–stakeholder ties, as trust in financial information hinges on institutional credibility, governance, regulation, and accountability. Despite improvements in standards, enforcement challenges and transparency issues continue to undermine trust in reporting (Adegbite, 2015; Nwadiubu & Okolie, 2023; Abdul-Baki & Diab, 2025; Ashiru et al., 2024; Aderibigbe et al., 2024). Empirical evidence from Africa shows that audit credibility depends on compliance with standards and on stakeholder perceptions of transparency, accountability, and responsiveness. Research indicates that assurance mechanisms gain legitimacy through institutional trust and effective communication between providers and users (Iyoha & Oyerinde, 2010; Adegbite, 2015). The African business environment is relevant because governance weaknesses, reporting issues, and corporate failures shape perceptions of assurance. Weak enforcement, poor disclosures, and governance gaps reduce reliance on audited information, emphasising the need for audit practices that enhance transparency, clarify results, and improve understanding. Recent governance changes in African economies focus on accountability, disclosure, and stakeholder reporting, highlighting that trust in financial reporting depends on credible interactions between providers and users, not merely on compliance (Christensen et al., 2014; Adegbite, 2015; Nwadiubu & Okolie, 2023; Abdul-Baki & Diab, 2025; Ashiru et al., 2024; Aderibigbe et al., 2024).

Research in Africa primarily focuses on traditional audit factors such as quality, independence, governance, and reporting (Adegbite, 2015; Nwadiubu & Okolie, 2023; Abdul-Baki & Diab, 2025; Ashiru et al., 2024; Aderibigbe et al., 2024; Knechel, 2021). While these insights are valuable, less attention is paid to relational processes, including communication, managing expectations, and fostering trust. Recent advances in audit reporting highlight the importance of transparency, communication, and stakeholder understanding (Knechel, 2021; Christensen et al., 2014; IAASB, 2023).

Auditor–Stakeholder Relationships and Confidence in Nigeria's Financial Reporting.

Nigeria offers a key context for studying auditor–stakeholder relationships, as trust in financial reporting influences investment, regulation, accountability, and markets. Despite reforms in governance, reporting regulation, and audit oversight that strengthen the institutional framework, doubts about audit credibility and stakeholder confidence continue to undermine perceptions of reporting (Adegbite, 2015; Financial Reporting Council of Nigeria [FRCN], 2018; Ilemona & Ikpor, 2023). Nigerian audit research mainly focuses on audit quality, independence, committee effectiveness, corporate governance, earnings management, and financial reporting (Nwadiubu & Okolie, 2023; Alao et al., 2026). These studies show that effective audit mechanisms reduce information asymmetry and enhance report credibility. However, stakeholders' views on auditor accountability, independence, and effectiveness shape their trust in reports (Okaro & Okafor, 2013; Kingsley et al., 2023; Ilemona & Ikpor, 2023). Concerns about corporate failures, weaknesses in financial disclosure, and questions about assurance indicate that compliance with auditing standards alone is insufficient to build stakeholder trust. Confidence depends on auditors being perceived as transparent, accountable, and clear about their responsibilities and findings (Knechel, 2021). Nigeria's corporate governance reforms focus on transparency, accountability, and stakeholder reporting. The Nigerian Code of Corporate Governance (NCCG) 2018 emphasises disclosure, accountability, and communication as essential to credible reporting (FRCN, 2018). These reforms shift assurance from mere compliance to enhancing stakeholder understanding and trust.

Most Nigerian empirical studies focus on traditional audit attributes such as quality, independence, governance, and financial reporting (Okaro & Okafor, 2013; Kingsley et al., 2023; Ilemona & Ikpor, 2023; Nwadiubu & Okolie, 2023; Alao et al., 2026). By contrast, research on relational aspects, including auditor communication, stakeholder engagement, transparency, and disclosure, has been limited, despite their collective impact on public trust in audited financial data (Knechel, 2021). This study extends the Nigerian audit literature by examining auditor–stakeholder relationships as a complex construct that affects public trust in financial reporting. It highlights communication, engagement, transparency, and disclosure, shifting the focus from merely assessing audit credibility to understanding how relationship-driven processes build confidence in audited data.

Synthesising Empirical Review and Identifying Research Gaps

Empirical studies show that audit credibility depends on technical and relational factors. Past research emphasised audit quality, independence, skills, and standards for trustworthy reports (DeFond & Zhang, 2014). More recent findings indicate that stakeholder trust also depends on how effectively auditors communicate, explain, and manage expectations (Knechel, 2021; Christensen et al., 2014; Ilemona & Ikpor, 2023; Kingsley et al., 2023; Nwadiubu & Okolie, 2023; Alao et al., 2026). Evidence from developed economies shows that enhanced auditor reporting, such as key audit matters and expanded disclosures, improves stakeholders' understanding of audit processes and their perceptions of audit value (Christensen et al., 2014; Sirois et al., 2018; Gold et al., 2020). However, most research focuses on formal reporting rather than the relational processes through which auditors build stakeholder trust (Knechel, 2021). While better disclosure increases information, it offers limited insight into how auditor–stakeholder interactions foster trust. Research from emerging economies shows that the audit expectation gap hinders trust in financial reports, driven by stakeholders' limited understanding of audit scope, assurance, and responsibilities, as well as differing perceptions (Deepal & Jayamaha, 2022; Al Qahtani et al., 2025). While communication and education can narrow this gap, little empirical research has examined whether long-term auditor–stakeholder relationships can reduce uncertainty and increase confidence in audited data (Al Qahtani et al., 2025; Knechel, 2021).

Evidence from African and Nigerian contexts indicates that concerns about audit credibility, transparency, and report reliability persist despite reforms (Adegbite, 2015; FRCN, 2018; Deepal & Jayamaha, 2022). Most research focuses on audit quality, independence, governance, and financial results (Okaro & Okafor, 2013; Kingsley et al., 2023; Ilemona & Ikpor, 2023), leaving limited understanding of how auditors communicate, engage stakeholders, and build trust. The literature shows a gap. While research covers technical factors affecting audit credibility, little is known about whether auditor–stakeholder relationships build public trust in financial reporting.

This study addresses this gap by examining auditor–stakeholder relationships as a multidimensional construct encompassing communication, transparency, stakeholder engagement, and disclosure practices. It broadens the audit literature by shifting the focus from viewing audit credibility solely as a technical outcome to understanding auditing as a relational process that builds credibility, confidence, and stakeholder trust.

Research Gap

Although many audit studies explore aspects such as quality, independence, reporting, and the expectation gap, few delve into how auditors foster trust through relational mechanisms (Knechel, 2021; Deepal & Jayamaha, 2022; Phapruke et al., 2023). Most studies emphasise technical factors, paying less attention to elements such as communication, transparency, stakeholder engagement, and disclosure, which are key components of auditor–stakeholder relationships (Gold et al., 2020; Phapruke et al., 2023). Previous research has primarily linked audit effectiveness to auditor competence, independence, and compliance with standards (Deepal & Jayamaha, 2022; Knechel, 2021). However, contemporary auditing also highlights the importance of auditors effectively communicating results, clarifying responsibilities, and engaging with stakeholders to foster trust in financial information (IAASB, 2023; Phapruke et al., 2023; Alao et al., 2026). Methodologically, existing empirical research has primarily focused on individual audit attributes, such as audit quality, auditor independence, audit reporting reforms, or expectation gap measures (Deepal & Jayamaha, 2022; Knechel, 2021; Alao et al., 2026). Few studies have developed integrated models to assess how multiple relationship-based factors jointly affect public trust in financial reporting (Phapruke et al., 2023; Alao et al., 2026).

Currently, there is limited evidence from Nigeria on how auditor–stakeholder relationships affect trust in audited financial data (Ilemona & Ikpor, 2023; Alao et al., 2026). Most Nigerian research focuses on audit quality, corporate governance, financial reporting, and audit effectiveness, leaving a gap in understanding how communication, engagement, transparency, and disclosure influence stakeholder trust (Ilemona & Ikpor, 2023; Alao et al., 2026). This research examines auditor–stakeholder relationships as a multidimensional concept and their impact on public trust in Nigeria's financial reporting. Using a relational approach, it demonstrates how trust is built through interactions between auditors and stakeholders.

Hypothesis Formulation

Public trust in financial reporting depends on stakeholders' confidence in credible, reliable audited data guiding decisions. While traditional research emphasises technical aspects like audit quality and independence, modern views focus on relational processes such as auditor communication, clarifying responsibilities, and user interaction (Knechel, 2021; Christensen et al., 2014). Information Asymmetry Theory links auditors and stakeholders, showing that knowledge gaps create uncertainty about audit responsibilities and credibility. Transparent communication, disclosure, and clarity reduce

this uncertainty by improving understanding of the audit process (Al Qahtani et al., 2025). Additionally, Agency Theory highlights auditors' role in overseeing and reducing information gaps between management and stakeholders. Their effectiveness depends on stakeholders viewing auditors as credible and trustworthy.

Previous research shows expanded auditor reporting improves perceptions of credibility and usefulness (Gold et al., 2020; Christensen et al., 2014), but limited evidence exists on whether broader auditor–stakeholder relationships impact public trust, especially in emerging markets like Nigeria where effects of communication, engagement, transparency, and disclosure remain underexplored (Al Qahtani et al., 2025; Knechel, 2021). This study hypothesises as follows:

H_{01} : The auditor–stakeholder relationship has no significant influence on public trust in financial reporting.

Methodology

The study used a cross-sectional survey to collect quantitative data at one point in time, suitable for examining perceptions, attitudes, and expectations about auditor–stakeholder relationships and trust. This approach suits perception-based constructs like trust and evaluations that cannot be seen in financial records (Saunders et al., 2023; Sekaran & Bougie, 2024).

The study involved diverse Nigerian professionals, such as auditors, accountants, analysts, investors, shareholders, academics, regulators, and financial statement users, whose population is undefined due to the lack of a national registry. Including various stakeholders aligns with modern auditing views that trust in financial reports depends on perceptions from both assurance providers and users (Knechel, 2021; IAASB, 2023). Nigeria was chosen due to concerns over financial reporting failures, governance issues, and audit credibility affecting public trust (Okaro & Okafor, 2013). Recent reforms emphasise transparency, accountability, and confidence in Nigeria's financial system (FRCN, 2018; Nakpodia et al., 2023). Since the population size is unspecified, the sample was determined using Cochran's (1977) formula for an infinite population.

$$n = \frac{Z^2 pq}{e^2}$$

where:

n = required sample size;

Z = standard normal deviate at the 95% confidence level (1.96);

p = estimated proportion of the population possessing the characteristic of interest (0.50);

q = 1-p = 0.50;

e = margin of error (0.07).

Substituting the values,

$$n = \frac{(1.96)^2(0.50)(0.50)}{(0.07)^2}$$

$$n = \frac{3.8416 \times 0.25}{0.0049}$$

$$n = 195.99 = 196$$

The calculated sample size was 196 respondents. However, due to missing data, the total number of respondents that were included in the analysis was 187, representing a 95% response rate. A multistage sampling method was used: first, respondents were categorised into stakeholder groups such as auditors, accountants, analysts, investors, academics, regulators, and informed users. Purposive sampling selected experts, then convenience sampling collected volunteers who met criteria and completed the online survey. Purposive sampling effectively identifies relevant experts (Saunders et al., 2023; Sekaran & Bougie, 2024).

Primary data were collected from respondents via a structured online questionnaire on Google Forms, adapted from validated tools used in research on audit expectation gaps, auditor communication, stakeholder perceptions, audit credibility, and public trust, with adjustments for the Nigerian context. Using established scales enhances validity and enables comparison (Hair et al., 2022; Saunders et al., 2023). Items on the audit expectation gap, auditor–stakeholder relationships, communication, and public trust were drawn from relevant previous studies (Svanberg & Öhman, 2014; Phaprueke et al., 2023; Cheung & Lai, 2022; Ali et al., 2020; Akther & Xu, 2020). The questionnaire comprised two sections: demographic details (Section A) and a five-point Likert scale for the variables of interest (Section B). It was distributed via email, WhatsApp, and accounting networks to improve accessibility and increase participation (Saunders et al., 2023). The questionnaire was pilot-tested with 15 audit and finance professionals to enhance clarity, resulting in more precise questions and reduced ambiguity. Experts confirmed its content validity. Internal consistency, measured by Cronbach's alpha, was satisfactory at 0.70 or above (Hair et al., 2022; Saunders et al., 2023).

The Auditor-Stakeholder Relationship (ASR) construct was evaluated across six dimensions: Communication of Auditors' Responsibilities (COM); Post-Audit Discussions (PAD); Communication Gap (CGAP); Transparent Audit Reporting (CTR); Disclosure of Audit Limitations (LIM); Auditors-Stakeholder Engagement (ENG); Educational Qualification (EDU); Professional Expertise (EXP). These reflect how auditors communicate, manage expectations, share information, and build relationships. The Public Trust in Financial Reporting (PTFR) was assessed via items measuring stakeholders' confidence, report credibility, reporting reliability, and trust in auditing's role in accountability. The operationalisation of the study variables is presented below:

Operationalisation of the Study Variables

Variable	Measurement Description	Measurement Basis
Public Trust in Financial Reporting (PTFR)	Stakeholders' trust in the credibility, reliability, transparency, and usefulness of audited financial statements.	Based on research regarding audit credibility, value, stakeholder trust, and confidence in financial reporting (Gold et al., 2020; Knechel, 2021; Christensen et al., 2014).

Communication of Auditor Responsibilities (COM)	The extent to which auditors clearly communicate their statutory duties, audit objectives, assurance scope, and professional limitations to stakeholders.	Based on audit communication and expectation gap literature, which emphasises clearer communication in reducing misunderstandings of auditor responsibilities (Porter, 1993; Deepal & Jayamaha, 2022; IAASB, 2023).
Post-Audit Discussions (PAD)	The level of auditor involvement with stakeholders after finishing audit activities, including explaining findings, major issues, and audit conclusions.	Based on literature about stakeholder engagement and auditor communication, highlighting interaction and explanation to improve understanding of audit results (Freeman, 1984; Knechel, 2021).
Communication Gap (CGAP)	Perceived gap between the information auditors provide and what stakeholders need to understand audit results.	The literature on the audit expectation gap highlights that the disconnect between auditors' responsibilities and stakeholder expectations is a major challenge to audit credibility (Porter, 1993; Deepal & Jayamaha, 2022; Al Qahtani et al., 2025).
Transparent Audit Reporting (CTR)	The degree to which audit findings, important issues, professional judgments, and conclusions are conveyed clearly and understandably.	Adapted from literature on expanded auditor reporting and key audit matters, which shows transparency enhances users' understanding and perceptions of audit usefulness (Gold et al., 2020; Christensen et al., 2014; IAASB, 2023).
Disclosure of Audit Limitations (LIM)	Extent to which auditors detail the scope of their audit offered, and any limitations of procedures, the assurance level the audit work.	The audit expectation management literature emphasises that disclosing assurance limitations can help reduce unrealistic stakeholder expectations (Porter, 1993; IAASB, 2023).

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Auditor–Stakeholder Engagement (ENG)	The frequency and quality of interactions between auditors and stakeholders about audit processes, findings, and reporting implications.	Based on stakeholder theory and trust literature, which emphasise communication and engagement to build confidence among information users (Freeman, 1984; Knechel, 2021).
Educational Qualification (EDU)	Respondent’s highest educational qualification level	Included as a control variable because educational background may affect how respondents understand and assess auditing and financial reporting topics (Hair et al., 2022).
Professional Experience (EXP)	Respondent’s years of experience in accounting, auditing, finance, or financial reporting.	Included as a control variable since professional exposure might affect perceptions of audit credibility and stakeholder confidence (Hair et al., 2022).

Source:

Developed by the author, based on theoretical frameworks and empirical findings from previous studies (Freeman, 1984; Rotter, 1967; IAASB, 2023; Phapruke et al., 2023; Ilemona & Ikpor, 2023; Alao et al., 2026).

The data were analysed using Stata. Descriptive statistics, such as frequencies, percentages, means, and standard deviations, summarised respondents' characteristics and perceptions of auditor–stakeholder relationships and public trust. OLS regression examined how different aspects of the auditor–stakeholder relationship affected public trust, estimating these relationships while accounting for respondent characteristics (Hair et al., 2022).

Model Specification

This empirical model, which is based on research related to audit credibility, communication, stakeholder relationships, trust, and perceptual factors, was customised to fit the aims and framework of this study (Knechel, 2021; IAASB, 2023; Hair et al., 2022). It indicates that public trust in financial reports hinges on elements of the auditor–stakeholder relationship and relevant respondent characteristics. The functional model is expressed as:

$$PTFR = f(\text{COM}, \text{PAD}, \text{CGAP}, \text{CTR}, \text{LIM}, \text{ENG}, \text{EDU}, \text{EXP})$$

The parsimonious model is specified as:

$$PTFR_i = \beta_0 + \beta_1 \text{COM}_i + \beta_2 \text{PAD}_i + \beta_3 \text{CGAP}_i + \beta_4 \text{CTR}_i + \beta_5 \text{LIM}_i + \beta_6 \text{ENG}_i + \beta_7 \text{EDU}_i + \beta_8 \text{EXP}_i + \varepsilon_i$$

where:

PTFR = Public Trust in Financial Reporting (dependent variable);

COM = Communication of Auditors' Responsibilities;

PAD = Post-Audit Discussions;

CGAP = Communication Gap;
 CTR = Transparent Audit Reporting;
 LIM = Disclosure of Audit Limitations;
 ENG = Auditor - Stakeholder Engagement;
 EDU = Educational Qualification (control variable);
 EXP = Professional Expertise (control variable);
 β = Intercept; β_0
 β_1 – β_8 = Regression coefficients;
 ε = Random error term;
 i = Individual respondent (cross-sectional unit).

The study used cross-sectional data, so the subscript i indicates that each respondent was observed at one time, which reflects the cross-sectional aspect of the model.

Findings and Discussion

This section presents empirical results and their interpretation. It examines stakeholders' perceptions of the audit expectation gap in Nigeria, including misconceptions about auditors' roles and their impact on trust. It also considers how communication, transparency, disclosure, and engagement affect public confidence. The findings are discussed in relation to the study's objectives, hypothesis, and related research.

4.1 Summary of Descriptive Statistics for Study Variables

The mean score of 1.497 for gender indicates a nearly equal distribution of male and female respondents, helping minimise gender bias in perceptions related to audit and trust. An average age of 1.78 suggests most participants are likely in their early or mid-20s, such as under 25 or between 25 and 34 years old. The sample skews toward younger individuals, possibly reflecting a digitally literate or emerging professional demographic with current perspectives on auditing, trust, and financial reporting. With an educational qualification midpoint above 2.5, the majority hold tertiary education, including university degrees or higher, indicating a well-educated sample. This lends greater credibility to their opinions on complex financial and audit-related issues. The respondents mainly hold entry- to mid-level roles, averaging 2.32, representing diverse job tiers and mainly mid-level professionals' views. They have 3 to 5 years' experience, mostly early- to mid-career, are familiar with audits, and are not in executive roles. Their feedback offers practical stakeholder insights. The sample includes mostly unmarried and married individuals, mirroring common working-class patterns.

Table 4.1: Descriptive Statistics of Study Variables

	Observation	Mean	Std. Deviation	Minimum	Maximum
Gender	185	1.497	0.5013	1	2
Age	188	1.7819	0.9193	1	4
Educational Qualification	190	2.5842	0.8672	1	4
Current Role	188	2.3191	1.2851	0	8
Year of Experience	191	2.1413	0.7786	1	4
Marital Status	190	1.6315	0.6350	0	4

Source: Author's Computation.

4.2 Stakeholders' Views on the Audit Expectation Gap in Nigeria

The descriptive statistics for the factors influencing the audit expectation gap in Nigeria are presented in Table 4.2. The results indicate general agreement that the selected factors contribute to the expectation gap, as all mean scores exceed 3.00. Stakeholders' familiarity with auditors' responsibilities under auditing standards (Mean = 3.3717, SD = 1.3661) was the second-highest mean score, followed closely by the gap between auditors' responsibilities and public expectations (Mean = 3.3631, SD = 1.3723). Other notable factors include stakeholders' unrealistic expectations of the audit (Mean = 3.2553, SD = 1.3439), limited stakeholder understanding of the audit process (Mean = 3.2251, SD = 1.3904), the negative impact of the expectation gap on audit credibility (Mean = 3.2146, SD = 1.3341), and stakeholders' expectation that auditors should detect fraud (Mean = 3.1368, SD = 1.3848).

The findings confirm the Audit Expectation Gap Theory, which suggests that the gap is mainly due to users of financial statements having expectations of the auditor that go beyond what financial statements require. The high perceived gap between auditors' responsibilities and public expectations shows that the expectation gap is a communication and perception issue, not merely a failure in audit performance. This implies that stakeholders' expectations are often not aligned with the purpose of an external audit. It is important to consider, theoretically, the finding that knowledge of the auditor's responsibilities ranked highest. The high expectation gap, despite respondents' awareness of the product, implies that their awareness may be superficial or incomplete. This is consistent with the Reasonableness Gap identified by Porter (1993), which states that stakeholders may think they know what an auditor does. However, they also have expectations that go beyond what is reasonable for an auditor. That is, awareness is not enough without stakeholders having an accurate understanding of the nature, goals, and limitations of an audit.

Similarly, the high mean score for stakeholders' limited knowledge of the audit process confirms the Information Asymmetry Theory. Users of financial statements may expect an audit to provide absolute assurance that fraud cannot exist or that an organisation's financial health is guaranteed, as they lack the technical expertise of an auditor. This information asymmetry leads to unrealistic expectations that increase the audit expectation gap. In addition, respondents concurred that stakeholders believe auditors can identify fraud. This variable was ranked 6th, but the mean score was still above the acceptance limit, indicating that fraud detection remains a major factor in the expectation gap. Theoretically, this finding is consistent with the Reasonableness Gap, which holds that auditing standards do not require auditors to detect all fraud; rather, they are expected to obtain reasonable assurance that the financial statements prepared by management are devoid of material misstatements caused by either fraud or error (Porter, 1993; Deepal & Jayamaha, 2022; IAASB, 2023). Therefore, the auditor's role is expected to extend beyond the scope of an external audit, as public expectations rise that the auditor should discover all fraudulent activities, thus creating an expectation gap.

Table 4.2: Stakeholders' View on the Audit Expectation Gap in Nigeria

Drivers of Audit Expectation Gap						
	N	Mean	Std. Deviation	Minimum	Maximum	Ranking
Stakeholders expect Auditors to detect fraud	190	3.1368	1.3848	1	5	6 th
The difference between the Auditors' responsibility and public expectation	190	3.3631	1.3723	1	5	2 nd
Educating the stakeholders to reduce unrealistic expectations	188	3.2553	1.3439	1	5	3 rd
Limited knowledge of the stakeholders about the audit process	191	3.2251	1.3904	1	5	4 th
The expectation gap negatively affects the credibility of the audit	191	3.2146	1.3341	1	5	5 th
Familiarity with the auditors' responsibilities under the auditing standards	191	3.3717	1.3661	1	5	1 st

Source: Author's Computation.

The discovery that educating stakeholders can lessen unrealistic expectations is important for both practice and theory. It indicates that the expectation gap arises not only from audit quality issues but also from stakeholders' limited understanding of auditing. According to Agency Theory, enhanced communication among auditors, management, regulators, and users of financial statements can help reduce information asymmetry, build trust in financial reports, and align public expectations with auditors' actual responsibilities. Additionally, respondents recognised that the expectation gap negatively affects the credibility of the audit profession. This finding reveals that the gap's impact goes beyond stakeholder misunderstanding, influencing public trust in the audit report and the perceived value of external assurance. When users feel auditors do not meet their unrealistic expectations, even when standards are followed, their confidence in the audit process can diminish. Closing the expectation gap requires not only maintaining high audit quality but also strengthening stakeholder education, improving audit communication, and raising public awareness about the scope and limitations of external audits.

4.3 Impact of the Auditors-Stakeholders Relationship on Public Trust in Financial Reporting

Table 4.3 examines the effect of the auditors–stakeholders' relationship on public trust in financial reporting. The overall regression model is statistically significant ($F = 13.98$, $p < 0.001$), taken together, suggesting that the explanatory variables affect public trust in financial reporting. The model accounts for roughly 31.8% of the variation in public trust ($R^2 = 0.3179$), and the adjusted R^2 (0.2952) suggests that about 29.5% of the variation in public trust is explained after accounting for the number of predictors in the model. The model's power is satisfactory, although a significant portion of the variance is accounted for by other factors not captured in the model, especially in behavioural and social science research involving multiple psychological, institutional and contextual factors that affect the influence of trust.

The regression coefficient for the communication of the auditors' statutory responsibilities to the stakeholders is positive ($\beta = 0.1512$), indicating that better communication of the auditors' statutory responsibilities is correlated with greater public trust in financial reporting. However, the association is not statistically significant ($p = 0.484$). This finding suggests that communicating auditors' responsibilities is not enough to build public trust without meaningful engagement, transparency, and an understanding of the stakeholder(s). The findings indicate that communication alone is not sufficient to increase confidence in audited financial statements.

Likewise, the regression coefficient (β) for post-audit discussions with stakeholders is positive ($\beta = 0.2216$), suggesting that the more often auditors have post-audit discussions with stakeholders, the greater the public trust. However, this association is not statistically significant ($p = 0.357$). This implies that discussions about audit results with stakeholders could be useful, but are not particularly significant in determining stakeholder confidence in financial reporting. The finding could suggest that the quality, frequency, or depth of post-audit engagements is not sufficient to yield measurable improvements in public trust.

The variable representing a significant communication gap between auditors and stakeholders also has a positive coefficient ($\beta = 0.2690$), but it is not statistically significant ($p = 0.224$). The results show that respondents recognise a problem in communication between auditors and stakeholders. However, the communication gap is not statistically significant when other relationship variables that affect public trust are taken into account. The results indicate that other trust-building factors, such as transparency and frequent engagement, can mitigate the impact of communication failures.

However, audit findings reported clearly and transparently that the auditor–stakeholder relationship has a positive and statistically significant impact on public trust ($\beta = 0.5048$, $p = 0.023$). This suggests that greater transparency and clarity in reporting audit results increase stakeholders' confidence in financial reporting. The outcome underscores the need for clear, complete, and informative audit reports to alleviate uncertainty and enhance users' confidence in audited financial statements. Clear reporting enables stakeholders to understand the scope, results, and conclusions of the audit and strengthens the audit process.

The coefficient for the auditor's disclosure of the limitations of audit work is positive ($\beta = 0.3317$), indicating that greater disclosure is associated with higher public trust. However, the relationship is not statistically significant ($p = 0.120$). The result suggests that while stakeholders might value some information on the scope of an audit and what it is not expected to achieve, this information alone does not have a major impact on trust. This could be because some users may not fully appreciate these disclosures or may be more interested in audit results than in explanations of audit limitations.

Regular involvement of the auditors and stakeholders had the highest coefficient ($\beta = 1.1765$) and was highly statistically significant ($p < 0.001$) among all the explanatory variables. This indicates that the more frequent the communication between the auditor and the stakeholders, the more likely the public will trust financial reporting, so we reject the null. In particular, greater engagement leads to higher stakeholder trust in auditors and in the credibility of audited financial statements. Continuous engagement creates opportunities for clarification, increases transparency, minimises misunderstandings about the auditor's role, and strengthens trust in the financial reporting process.

The overall results show that most communication-related variables are positively associated with public trust. However, only the clear and transparent reporting of audit findings and frequent interaction between auditors and stakeholders have significant effects on public trust in financial reporting. These findings are consistent with Trust Theory (Rotter, 1967), which suggests that trust is built through repeated, credible, and reliable interactions between parties. The impact of regular engagement shows that the relationship enhances confidence in auditors and financial reporting. Similarly, the significant effect of transparent reporting aligns with Communication Theory (McQuail, 1983), which states that clear, accurate, and effective communication increases understanding, reduces uncertainty, and builds confidence among information users. The negligible impacts of the other variables indicate that the communication campaign is not sufficient to build public trust without ongoing communication with stakeholders, transparency, and communication strategies that meet stakeholders' information needs.

Table 4.3: Dependent Variable – Public Trust in Financial Reporting

Independent Variables	Coefficient	Std. Error	t-Statistic	Prob.*
Auditors communicate their responsibility to stakeholders	0.1512	0.2156	0.70	0.484
Auditors engage in post -audit discussions with stakeholders	0.2216	0.2400	0.92	0.357
A significant communication gap exists between auditors and stakeholders	0.2690	0.2205	1.22	0.224
Audit findings are reported clearly and transparently	0.5048	0.2198	2.30	0.023***
Auditors adequately disclose the limitations of audit work	0.3317	0.2123	1.56	0.120
Regular engagement between auditors and stakeholders builds trust	1.1765	0.2107	5.58	0.0000***
Constant	7.1617	1.0685	6.70	0.0000***
R-squared	0.3179			
Adjusted R-squared	0.2952			
F-statistic (5, 182)	13.98			
Prob(F-statistic)	0.0000			
No. of Observation	187			

Source: Author's analysis

Conclusion and Recommendations

This study explored how elements of auditor–stakeholder relationships affect public trust in Nigeria's financial reports and evaluated stakeholders' views on the audit expectation gap as a barrier to confidence in audited data. Results showed that stakeholders see the audit expectation gap as ongoing, caused by mismatched expectations of auditors' roles, limited understanding of the audit process, and misconceptions about auditors' duty to find fraud. These results indicate that boosting trust in financial reports involves not just high-quality audits but also increasing stakeholder awareness of the purpose, scope, and limits of external audits.

The regression analysis showed that the different aspects of auditor–stakeholder relationships collectively significantly affect public trust in financial reporting. Nevertheless, of the specific

relationship aspects studied, only transparent and straightforward reporting of audit results and ongoing engagement with stakeholders were notably linked to increased public trust. The results suggest that simply explaining auditors' responsibilities, holding post-audit discussions, revealing audit limitations, or addressing communication issues, while positively associated with trust, do not independently lead to greater stakeholder confidence. Instead, trust is primarily strengthened when stakeholders receive clear audit information and have ongoing opportunities for interaction with auditors.

Building on these findings, the study suggests that audit firms go beyond traditional reporting methods by establishing structured and meaningful stakeholder engagement channels. Because consistent engagement was the most significant factor in fostering public trust, firms should consider organising regular stakeholder forums, professional updates, webinars, and suitable communication channels. These initiatives can help stakeholders better understand audit procedures, responsibilities, and limitations. All engagement activities should comply with professional standards and uphold auditor independence.

The study also suggests that audit reports should be clear, transparent, and accessible to users of financial statements, especially those without specialised accounting knowledge. To achieve this, auditors should provide clearer explanations of key audit issues, procedures, and the limitations of audit assurance, all while maintaining compliance with standards. This approach aims to minimise misunderstandings and boost confidence in the audited financial reports.

Furthermore, professional accounting organisations, audit regulators, and relevant financial reporting entities should enhance public audit literacy campaigns to inform stakeholders about the audit process better. These initiatives should clarify prevalent misconceptions, such as the mistaken belief that auditors are responsible for uncovering all fraud or ensuring an organisation's success. Raising awareness of the audit's true role among investors, shareholders, business owners, public sector participants, and other financial statement users can help reduce the expectation gap and boost trust in the audit profession.

This study enhances the understanding of the audit expectation gap and financial reporting trust by showing that trust in audited financial information depends not only on the technical quality of audits but also on the relational processes of communication and interaction between auditors and stakeholders. It provides empirical evidence that stakeholder engagement and transparent audit reporting are crucial for building public confidence in financial statements, particularly within the Nigerian context.

Despite these contributions, the study faces certain limitations. Firstly, relying on cross-sectional data restricts the ability to analyse how stakeholders' perceptions evolve over time or to determine the long-term impacts of auditor–stakeholder interactions. Secondly, the demographic makeup of respondents, especially the predominance of relatively educated participants, may constrain how well the results represent perceptions among less financially literate stakeholder groups. Thirdly, since the research was conducted within Nigeria's institutional setting, the findings might not be directly applicable to countries with different regulatory, cultural, and financial reporting environments.

Future research might utilize longitudinal or mixed-method designs to explore how ongoing auditor–stakeholder engagement impacts trust over time. It could also compare various institutional

settings to see if legal, regulatory, and cultural factors alter the link between auditor–stakeholder relationships and public trust in financial reports. Additionally, future studies may investigate how audit literacy moderates the effect of stakeholder knowledge on the relationship between auditor engagement and trust in financial reporting.

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