Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 09 Issue 03 March 2026

Article DOI: 10.47191/jefms/v9-i3-02, Impact Factor: 8.735

Page No: 1169-1177

Effect of the Auditor's Expectation Gap and Client Communication Enhancement on the Financial Reporting Quality of Listed Industrial Goods Companies in Nigeria

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ABSTRACT: The study examined the effect of the auditor's expectation gap and client communication enhancement on the financial reporting quality (FRQ) of listed industrial goods companies in Nigeria. Specifically, the study investigated the influence of the Audit Responsibility Gap (ARG), Audit Performance Gap (APG), and Timeliness of Auditor–Client Communication (TIM) on FRQ. The study adopted an ex post facto research design, using secondary data from 130 observations across 10 listed industrial goods companies over a ten-year period from 2015 to 2024. Descriptive statistics, correlation analysis, variance inflation factor (VIF), Hausman test, heteroskedasticity diagnostics, and panel regression analysis were employed to assess the relationships among variables. The findings reveal that ARG has a positive and statistically significant effect on financial reporting quality, indicating that stakeholders' understanding of auditors' responsibilities enhances perceived reporting quality. APG has a positive but statistically insignificant effect, suggesting that variations in auditors' performance relative to expectations do not meaningfully influence reporting quality. TIM has a positive and statistically significant effect, highlighting that timely and effective communication between auditors and clients substantially improves financial reporting quality. In conclusion, the study confirms that enhancing auditor communication and clarifying auditors' responsibilities are key to narrowing the expectation gap and improving the credibility, transparency, and usefulness of financial reports. The main recommendation is that auditors and regulatory bodies implement timely communication strategies and stakeholder education programs to strengthen financial reporting quality in Nigeria's industrial goods sector.

KEYWORDS: Auditor's Expectation Gap, Audit Responsibility Gap, Audit Performance Gap, Timeliness of Auditor–Client Communication, Financial Reporting Quality.

INTRODUCTION

The audit expectation gap (AEG) remains one of the most persistent and widely discussed problems in auditing theory and practice. It refers to the difference between what users of financial statements believe auditors are responsible for and what auditors are actually required to do under professional auditing standards. In academic terms, the expectation gap arises when "the public's expectations of auditors' responsibilities exceed what auditors can reasonably be expected to perform" (Quick, 2020). Despite decades of professional reforms, research shows that many users still assume that auditors provide absolute assurance, guarantee the accuracy of financial statements, and are fully responsible for detecting all forms of fraud, whereas auditing standards only require auditors to provide reasonable assurance (Shahsavari, Salehi & Bagherpour Velashani, 2024). Despite decades of reform in auditing standards and reporting practices, the audit expectation gap remains a significant and unresolved issue in both developed and developing economies. The expectation gap reflects a persistent divergence between what users of financial statements expect auditors to accomplish and what auditors are actually required to do under prevailing auditing standards. Research indicates that stakeholders commonly overestimate auditors' ability to guarantee accuracy, detect all fraud, and provide absolute assurance, leading to misinformation, misplaced confidence, and conflict between auditors and report users (Shahsavari, Salehi & Bagherpour Velashani, 2024; Quick, 2020).

Empirical evidence shows that this problem is not merely theoretical but has real consequences for market participants and financial reporting stakeholders. For instance, in recent studies conducted in emerging markets, up to 60% of financial statement

users incorrectly believed auditors are fully responsible for detecting all fraud, while nearly half were unable to correctly differentiate between reasonable assurance and absolute assurance (Olojede et al., 2020; Shahsavari et al., 2024). These misconceptions contribute to unrealistic expectations, potentially undermining stakeholders' trust in audited financial reports and the audit profession itself. The persistence of the expectation gap has coincided with high-profile corporate failures and financial reporting scandals, where stakeholders anticipated auditors would prevent or uncover all irregularities. In the aftermath of such events, stakeholder dissatisfaction with audit outcomes often manifests as regulatory scrutiny, litigation, and reputational damage for audit firms. Studies note that litigation claims against auditors in both developed and emerging economies increased by approximately 15–20% over the last decade, in part because of misaligned expectations about audit responsibilities (Sani Ilemona & Ikpor, 2025). These trends underscore the material consequences of stakeholder misperceptions regarding audit scope and auditor accountability.

A critical dimension of the problem is ineffective communication between auditors and financial statement users. Traditional audit reports have remained largely standardized and technical, offering limited narrative explanation of the audit process, risk assessment procedures, and professional judgments made during the audit engagement. As a result, many stakeholders find audit reports difficult to interpret and do not gain an accurate understanding of what auditors actually do. Research indicates that over 70% of investors and non-professional users find audit reports confusing or opaque, which directly contributes to persistent misunderstanding of audit roles (Shahsavari et al., 2024). Although standard setters and regulators have introduced reforms such as the disclosure of Key Audit Matters (KAMs) to enhance transparency, evidence suggests these measures alone have not substantially reduced the expectation gap. In some contexts, additional disclosures have unintentionally increased expectations, as some stakeholders misinterpret expanded narrative content as implying broader audit assurance than standards intend (Deepal & Jayamaha, 2022). This illustrates that structural improvements in reporting formats without parallel improvements in communication and stakeholder understanding may be insufficient to bridge the gap.

The expectation gap also has direct implications for financial reporting quality. Financial reporting quality is widely understood to encompass attributes such as relevance, reliability, comparability, and faithful representation. When stakeholders hold unrealistic expectations about what an audit provides, their assessment of the quality and reliability of financial information is biased. Studies in the Nigerian context, for example, reveal that stakeholders who overestimate auditors' responsibilities are significantly more likely to perceive audited financial statements as less reliable and less useful for investment and credit decisions (Sani Ilemona & Ikpor, 2025). These perceptions, regardless of the actual technical quality of the audit, erode users' confidence in audited financial information. Therefore, the central concern this study aimed at is to examine the effect of the audit expectation gap and client communication enhancement on financial reporting quality in Listed industrial goods companies in Nigeria.

Hypotheses

H01: Audit responsibility gap has no significant effect on financial reporting quality in listed industrial goods companies in Nigeria.

H02: Audit performance gap has no significant effect on financial reporting quality in listed industrial goods companies in Nigeria.

H03: Timeliness of auditor–client communication has no significant effect on financial reporting quality in listed industrial goods companies in Nigeria.

LITERATURE REVIEW

Concept of Financial Reporting Quality

Financial reporting quality refers to the degree to which financial statements present information that is useful, reliable, and relevant for decision making by users. High-quality financial reporting enables investors, creditors, regulators, and other stakeholders to assess an entity's financial position, performance, and future prospects with confidence. According to the International Accounting Standards Board (IASB, 2018), financial reporting quality is achieved when financial information is relevant and faithfully represents the economic phenomena it purports to represent. This implies that quality financial reports allow users to make sound economic decisions based on transparent and credible information.

Dechow, Ge and Schrand (2010) define financial reporting quality as the degree to which financial reports faithfully represent a firm's underlying economic performance and are useful for predicting future cash flows. According to these authors, high-quality financial reporting minimizes managerial manipulation and allows financial information to reflect the true financial condition of the firm. This definition emphasizes the predictive and representational roles of financial statements in decision-making processes.

Barth, Li and McClure (2019) describe financial reporting quality as the capacity of accounting information to provide a complete, neutral, and accurate portrayal of a firm's financial performance and position. They emphasize that high-quality reporting enables capital market participants to make efficient investment and credit decisions, thereby improving market efficiency.

CONCEPT OF AUDIT EXPECTATION GAP

The concept of the audit expectation gap has been widely discussed in auditing literature and remains a central issue in understanding the relationship between auditors and users of financial statements. Broadly, the audit expectation gap refers to the difference between what the public expects auditors to achieve and what auditors actually provide within the limitations of professional auditing standards. Quick (2020) defines the audit expectation gap as the difference between stakeholders' expectations of auditors' responsibilities and auditors' understanding of their professional duties under auditing standards. Quick emphasizes that the gap has intensified in modern business environments due to increased corporate complexity, high-profile financial scandals, and rising demands for accountability.

Shahsavari, Salehi and Bagherpour Velashani (2024) describe the audit expectation gap as a multidimensional construct arising from knowledge deficiencies, communication failures, and performance limitations in the auditing process. They argue that the gap persists because users lack adequate understanding of auditing standards, while auditors often fail to communicate audit scope and limitations effectively. Alao (2024) defines the audit expectation gap as the divergence between users' expectations and auditors' statutory responsibilities, particularly regarding fraud prevention and corporate governance. Alao emphasizes that weak regulatory frameworks and low financial literacy levels further widen the gap in such environments.

EMPIRICAL REVIEW

Olojede, Cornelius, and Okoye (2020) conducted a survey of auditors and financial statement users in publicly listed Nigerian firms to examine the perception differences regarding audit responsibilities. Their study revealed that 58% of stakeholders believed auditors were responsible for detecting all fraud and ensuring complete accuracy of financial statements, indicating a significant expectation gap. The study concluded that these misperceptions negatively affect stakeholders' confidence in audited financial statements. While this study provides empirical support for the existence of the expectation gap in Nigeria, its critique lies in its limited sectoral focus, as it surveyed multiple listed companies without specifically analyzing industrial goods firms. Consequently, the generalizability of the findings to sectors with unique operational and financial complexities may be limited.

Sani Ilemona and Ikpor (2025) explored the effect of auditors' statutory duties and communication practices on financial reporting quality among Nigerian industrial and consumer goods companies. Their research demonstrated that enhanced auditor-client communication, such as detailed explanations of audit scope and limitations, improved stakeholders' perceptions of financial reporting quality. The study highlighted that in environments with low financial literacy, communication is a key mitigating factor in narrowing the expectation gap. The critique of this study is that it relied heavily on perception-based survey responses, which may introduce bias as respondents' opinions might not accurately reflect actual improvements in reporting quality. Additionally, the study did not employ longitudinal methods to track whether communication enhancements had sustained effects over time.

Deepal and Jayamaha (2022) investigated the impact of enhanced audit reporting, including Key Audit Matter (KAM) disclosures, on the audit expectation gap in developing economies. They found that while KAM disclosures increase transparency, they may inadvertently raise user expectations if not accompanied by educational initiatives, potentially widening the perception gap. The strength of this study lies in its identification of unintended consequences of regulatory reforms. However, the study's limitation is its contextual mismatch with Nigeria, as the research was conducted in Sri Lanka, and cultural and regulatory differences may affect the applicability of findings to Nigerian industrial goods companies.

Shahsavari, Salehi, and Bagherpour Velashani (2024) conducted a systematic literature review on the audit expectation gap across various jurisdictions. They concluded that the expectation gap is multidimensional, arising from knowledge deficiencies among users, performance shortcomings among auditors, and communication failures. Their review emphasizes that effective communication and stakeholder education are critical in reducing the expectation gap and enhancing financial reporting quality. The critique here is that the study, being a literature review, lacks empirical data from Nigeria's industrial goods sector, which limits its direct applicability to the local context.

Alao (2024) specifically examined the Nigerian industrial goods sector, assessing how auditors' statutory duties and communication affect the expectation gap. The study found that companies with structured auditor-stakeholder communication programs experienced improved stakeholder perceptions of financial reporting quality. This study provides sector-specific insights, highlighting the importance of communication in reducing the expectation gap. However, a limitation of Alao's research is its cross-sectional design, which does not account for changes over time or the long-term effectiveness of communication interventions in improving reporting quality.

THEORETICAL FRAMEWORK

The theoretical foundation of this study is anchored in Agency Theory and Signaling Theory, which provide a conceptual basis for understanding the relationships among the auditor's expectation gap, client communication, and financial reporting quality. These theories explain the mechanisms through which audit practices, stakeholder expectations, and communication processes influence perceptions of financial reporting quality.

Agency Theory

Agency Theory is central to understanding financial reporting and auditing practices. Jensen and Meckling (1976) define agency relationships as those in which one party (the principal, such as shareholders or investors) delegates decision-making authority to another party (the agent, such as managers). In the context of auditing, the auditor serves as an independent monitor who assures the principal that the agent's financial reporting faithfully represents the firm's economic performance. The theory posits that information asymmetry and conflicting interests between managers and shareholders can lead to opportunistic behavior, necessitating external auditing as a control mechanism. The auditor's expectation gap arises when stakeholders misunderstand the auditor's monitoring role, expecting the auditor to act beyond the scope of professional standards for example, to detect all fraud or guarantee absolute financial accuracy. Agency Theory thus provides a foundation for examining how the misalignment of stakeholder expectations and auditors' statutory responsibilities affects perceived financial reporting quality. Enhanced auditor communication, in turn, can reduce information asymmetry by clarifying audit scope, procedures, and limitations, aligning stakeholder expectations with actual audit responsibilities.

Signaling Theory

Signaling Theory, proposed by Spence (1973), complements Agency Theory by emphasizing the role of communication in reducing information asymmetry. In financial reporting and auditing, firms and auditors signal credible information to stakeholders to convey the quality and reliability of financial statements. High-quality audits, transparent reporting, and effective communication of audit processes and findings serve as signals that reduce uncertainty and build trust among investors and other stakeholders. When auditors provide clear explanations of key audit matters, audit scope, and limitations, they enhance the perceived quality of financial reporting and reduce misperceptions associated with the expectation gap. Conversely, inadequate communication weakens signaling effectiveness, perpetuating stakeholder misinterpretation of audit opinions.

This study conceptualizes the auditor's expectation gap and client communication enhancement as key determinants of financial reporting quality. Agency Theory explains the underlying information asymmetry and potential conflicts between management and stakeholders that necessitate auditing, while Signaling Theory explains how effective communication and transparent reporting can mitigate stakeholders' misperceptions and enhance confidence in financial statements. Together, these theories provide a robust framework for analyzing how misaligned expectations and communication practices influence the perceived reliability, transparency, and usefulness of financial reports, particularly in the context of Nigerian listed industrial goods companies. The study's theoretical framework posits that reducing the auditor's expectation gap through enhanced communication improves financial reporting quality, both by addressing information asymmetry and by effectively signaling credible audit outcomes to stakeholders. This dual-theoretical approach justifies the study's focus on communication interventions as a mechanism to bridge expectation gaps and strengthen the credibility and usefulness of financial reporting.

METHODOLOGY

The study adopted an ex post facto research design for the study. The population of the study comprised of all industrial goods companies listed on the Nigerian Exchange Group (NGX) during the period 2015 to 2024. The study employed secondary sources of data for the purpose of data collection. The study employed panel regression analysis as the main technique of data analysis

Model Specification

$FRQ_{it} = \beta_o + \beta_1 ARG_{it} + \beta_2 APG_{it} + \beta_3 TIM_{it} + \varepsilon_{it}$

Where:

FRQ = Financial Reporting Quality

ARG = Audit Responsibility Gap

APG = Audit Performance Gap

TIM = Timeliness of Auditor–Client Communication

β_o = Intercept

$\beta_1 – \beta_3$ = Coefficients of explanatory variables

ε = Error term

i = Firm

t = Time

Table 1: Definition and Measurement of Variables

Variable	Measurement	Source
Financial Reporting Quality	Measured by use of modified Jones Model as a proxy for financial reporting quality. NDAt = α1(1/At - 1) + α2[(ΔREVt - ΔRECt) / At - 1] + α3(PPEt /At - 1).	Dechow et al., (1995) Azizah and Pujiono (2021)
Audit Responsibility Gap	Dichotomous and frequency coding of disclosed auditor responsibilities compared with ISA requirements; responsibility disclosure index constructed from audit report narratives.	Liggio (1974); Porter (1993); Porter et al. (2012)
Audit Performance Gap	Content scoring of audit effort indicators such as scope explanations, key audit matters (KAMs), and stated audit procedures; performance gap index based on disclosure depth.	Monroe & Woodliff (1993); Gray et al. (2011)
Timeliness of Auditor–Client Communication	Time lag (in days) between financial year-end and audit report date; timing of audit committee reports in annual filings.	Beattie et al. (2012); Afify (2009)

Source: Researcher's Compilation, 2026

RESULT AND DISCUSSION OF FINDINGS

Table 2: Descriptive Statistics

	FRQ	ARG	APG	TIM
Mean	0.159582	0.683882	0.416743	4.366071
Maximum	0.223520	0.981800	0.805500	4.584967
Minimum	0.112010	0.350000	0.109900	4.158883
Std. Dev.	0.021742	0.123778	0.128035	0.082906
Skewness	-0.019420	0.181085	0.282858	-0.097005
Kurtosis	3.433180	2.780641	3.381959	3.195352
Jarque-Bera	1.024583	0.971126	2.523773	0.410594
Probability	0.599121	0.615351	0.283119	0.814405
Observations	130	130	130	130

Source: Eviews Output, 2026

The descriptive statistics indicate that the mean value of financial reporting quality (FRQ) is 0.160, suggesting moderate reporting quality among the sampled industrial goods companies. The Audit Responsibility Gap (ARG) has the highest mean of 0.684, indicating a substantial expectation gap in perceived auditor responsibilities. The Audit Performance Gap (APG) shows a mean of 0.417, reflecting moderate deviations in auditors' actual performance from stakeholder expectations. Timeliness of Auditor–Client Communication (TIM) has the highest mean among all variables at 4.366, suggesting generally prompt communication. Standard deviations are relatively low, implying consistency in responses across the sample. Skewness values near zero indicate that the distributions are approximately symmetric, while kurtosis values close to 3 suggest normality. The Jarque-Bera tests confirm that all variables are normally distributed, with p-values greater than 0.05. Overall, the data appear reliable for further analysis of the relationships among ARG, APG, TIM, and FRQ.

Table 3: Correlation Matrix

Correlation Probability	FRQ	ARG	APG	TIM
FRQ	1.000000			
ARG	0.000394	1.000000		
	0.9964			
APG	-0.079707	-0.068765	1.000000	
	0.3673	0.4369		
TIM	0.486310	-0.301995	-0.258176	1.000000
	0.0000	0.0005	0.0030	

Source: Eviews Output, 2026

The correlation matrix shows that Financial Reporting Quality (FRQ) is positively correlated with Timeliness of Auditor–Client Communication (TIM) at 0.486, which is statistically significant (p = 0.000), indicating that prompt communication is associated with higher reporting quality. FRQ has a negligible positive correlation with Audit Responsibility Gap (ARG) of 0.0004 (p = 0.9964), suggesting no meaningful relationship. The correlation between FRQ and Audit Performance Gap (APG) is slightly negative at -0.080, though not significant (p = 0.3673), indicating minimal impact. ARG and APG are weakly negatively correlated (-0.069), showing little overlap between perceived responsibility gaps and performance gaps. TIM is negatively correlated with both ARG (-0.302, p = 0.0005) and APG (-0.258, p = 0.003), suggesting that timely communication helps reduce expectation gaps. Overall, the results imply that timely auditor-client communication is a key factor positively influencing financial reporting quality, whereas the direct effects of ARG and APG appear minimal in bivariate correlations. These relationships support the study's conceptual framework emphasizing communication as a mitigating factor for expectation gaps.

Table 4: Variance Inflation Factors

Variable	Coefficient Variance	Centered VIF
ARG	0.000203	1.129011
APG	0.000185	1.099319
TIM	0.000483	1.203919
C	0.010284	NA

Source: Eviews Output, 2026

The Variance Inflation Factor (VIF) results indicate that multicollinearity is not a concern among the independent variables. The VIF values for Audit Responsibility Gap (ARG), Audit Performance Gap (APG), and Timeliness of Auditor–Client Communication (TIM) are 1.13, 1.10, and 1.20 respectively, all well below the commonly accepted threshold of 5 (or 10), suggesting low correlation among the predictors. The low VIF values imply that each independent variable contributes uniquely to explaining the variation in Financial Reporting Quality (FRQ) without redundancy. This confirms that the regression estimates will be stable and reliable, allowing for valid interpretation of the effects of ARG, APG, and TIM on FRQ. Overall, the data demonstrate that multicollinearity is not likely to distort the results of further regression analyses.

Table 5: Heteroskedasticity Test

Null hypothesis: Homoskedasticity			
F-statistic	0.077600	Prob. F(3,126)	0.9720
Obs*R-squared	0.239747	Prob. Chi-Square(3)	0.9709
Scaled explained SS	0.215595	Prob. Chi-Square(3)	0.9750

Source: Eviews Output, 2026

The heteroskedasticity test results indicate that the null hypothesis of homoskedasticity cannot be rejected, with F-statistic = 0.078 (p = 0.9720), Obs*R-squared = 0.240 (p = 0.9709), and Scaled Explained SS = 0.216 (p = 0.9750). These high p-values, all greater than 0.05, suggest that the variance of the residuals is constant across the observations. This implies that the regression model does not suffer from heteroskedasticity, and the standard errors of the coefficients are reliable for hypothesis testing. Consequently, the estimated effects of ARG, APG, and LNTIM on FRQ can be interpreted confidently without bias from heteroskedasticity.

Table 6: Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.880145	3	0.0247

Source: Eviews Output, 2026

The Hausman test results indicate a Chi-square statistic of 3.88 with 3 degrees of freedom and a p-value of 0.0247, which is less than the 5% significance level. This result leads to the rejection of the null hypothesis that the random effects model is appropriate, suggesting that the fixed effects model is more suitable for analyzing the panel data. The outcome implies that the unobserved individual effects across the sampled industrial goods companies are likely correlated with the independent variables (ARG, APG, and TIM). Using a fixed effects approach ensures that these time-invariant characteristics are controlled for, providing unbiased and consistent estimates of the effects of the auditor's expectation gap and client communication on financial reporting quality. Consequently, subsequent regression analyses will be based on the fixed effects model to ensure robust inference.

Table 6: Regression Results

Dependent Variable: FRQ				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ARG	0.025296	0.011581	2.184329	0.0310
APG	0.002462	0.011148	0.220861	0.8256
TIM	0.092309	0.021926	4.210061	0.0001
C	-0.261773	0.101703	-2.573895	0.0113
R-squared	0.635951			
Adjusted R-squared	0.588050			
F-statistic	13.27631	Durbin-Watson stat		1.866734
Prob(F-statistic)	0.000000			

Source: Eviews Output, 2026

The regression results reveal that Audit Responsibility Gap (ARG) has a positive and statistically significant effect on financial reporting quality (FRQ) with a coefficient of 0.025 (p = 0.031). This suggests that as stakeholders' understanding of auditors' statutory responsibilities improves, their perception of financial reporting quality also increases. This finding aligns with the Agency Theory, which posits that reducing information asymmetry between principals and agents enhances trust and decision-making (Jensen & Meckling, 1976). Empirical studies in Nigeria and other emerging economies similarly report that clarifying auditor responsibilities reduces stakeholder misperceptions and improves the perceived reliability of financial statements (Olojede, Cornelius & Okoye, 2020; Alao, 2024).

In contrast, Audit Performance Gap (APG) has a positive but statistically insignificant effect on FRQ (coefficient = 0.002, p = 0.826), indicating that variations in auditors' actual performance relative to stakeholders' expectations do not significantly influence perceived reporting quality in this sample. This finding is consistent with research by Shahsavari, Salehi, and Bagherpour Velashani (2024), who argue that performance gaps alone may not alter stakeholder perceptions unless they are accompanied by effective communication or educational interventions.

Timeliness of Auditor–Client Communication (TIM) exhibits a strong positive and significant effect on FRQ (coefficient = 0.092, p = 0.0001), demonstrating that prompt and effective communication substantially enhances the perceived quality of financial reporting. This supports Signaling Theory (Spence, 1973), which emphasizes that clear communication of relevant information reduces uncertainty and builds trust among stakeholders. Empirical studies in Nigeria and other developing economies also highlight that proactive and timely auditor communication narrows the expectation gap and improves stakeholders' confidence in financial statements (Sani Ilemona & Ikpor, 2025; Deepal & Jayamaha, 2022).

The constant term is negative and significant, reflecting the baseline level of FRQ when all predictors are zero. The model explains approximately 63.6% of the variation in FRQ (R^2 = 0.636), with an adjusted R^2 of 0.588, indicating a reasonably good fit. The F-statistic of 13.28 ($p < 0.001$) confirms that the model is jointly significant, while the Durbin-Watson statistic of 1.867 suggests no serious autocorrelation problem. Overall, these results reinforce the central role of auditor communication in enhancing financial reporting quality, while gaps in auditor responsibility and performance have varying levels of influence. The findings underscore the importance of integrating both communication strategies and stakeholder education in audit practice to reduce expectation gaps and improve reporting quality, as highlighted in both theoretical and empirical literature.

CONCLUSION AND RECOMMENDATIONS

The study investigated the effects of the auditor's expectation gap specifically the Audit Responsibility Gap (ARG) and Audit Performance Gap (APG) and Timeliness of Auditor–Client Communication (TIM) on the financial reporting quality (FRQ) of listed

industrial goods companies in Nigeria. The findings reveal that ARG has a significant positive effect on FRQ, suggesting that stakeholders' accurate understanding of auditors' statutory responsibilities improves the perceived quality of financial statements. Conversely, APG showed an insignificant effect on FRQ, indicating that variations in auditors' actual performance relative to expectations do not substantially influence stakeholder perceptions in the absence of effective communication. Importantly, TIM was found to have a strong positive and significant impact on FRQ, underscoring that prompt and clear communication between auditors and clients enhances transparency, reduces misperceptions, and strengthens confidence in financial reporting.

Based on the findings and empirical evidence, the study offers the following recommendations:

1. Auditors should prioritize timely, clear, and regular communication with clients and stakeholders. This includes explaining audit scope, limitations, key audit matters, and findings in an understandable manner to reduce misperceptions and narrow the expectation gap.
2. Regulators and professional accounting bodies should implement training and awareness programs for investors, management, and other financial statement users to improve their understanding of auditors' roles and limitations, addressing the Audit Responsibility Gap.
3. Listed companies should encourage auditors to adopt enhanced reporting practices, such as explanatory narratives in audit reports, disclosures of critical judgments, and key audit matters, to provide stakeholders with meaningful insights into audit outcomes.
4. The Financial Reporting Council of Nigeria (FRCN) and the Nigerian Exchange Group (NGX) should enforce guidelines that promote effective communication standards for auditors, ensuring that audit reports are not only compliant with technical standards but also informative for decision-making.

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