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STAKEHOLDERS' EXPECTATION AND AUDIT COMPLIANCE: EVIDENCE FROM SELECTED AUDITS FIRMS IN NIGERIA

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Abstract

The effectiveness of audit compliance is a critical factor in ensuring organizational integrity risk mitigation, and stakeholder confidence. This study investigates the effect of stakeholder's expectations on audit compliance among selected audit firms in Nigeria, with a focus on the roles of stakeholder perception, audit scope, and audit timing. The study employed purposive research design, adopts a quantitative approach. The targeted population was 1, 282 as at 31st December 2023. The sample size was 344 using Daniel (1999) formula. Regression analysis was employed to test the hypotheses and evaluate the relationships between the variables. The findings revealed that stakeholder perception significantly influences audit compliance, while both audit scope and timing also play critical roles in shaping compliance outcomes. Specifically, the study indicated that narrowing audit scopes and unrealistic audit timelines can negatively impact audit quality and adherence to regulatory standards., enhance public trust, and improve the overall effectiveness of audits in Nigeria. This study recommends strengthening regulatory oversight, promoting the adoption of the findings underscore the importance of aligning audit practices with stakeholder expectations to bridge the audit expectation gap technology driven audit tools, and enhancing stakeholder engagement to ensure more effective audit compliance. This study provides actionable insights for policymakers, regulators, and audit firms in Nigeria.

Keywords: Stakeholder perception, Audit scope expectation, Audit timing expectation, Audit compliance and Compliance with regulatory framework.

INTRODUCTION

Audit provide assurance that an organization is operating ethically, efficiently, and within legal boundaries, reducing the risk of non-compliance, fines, and reputational damage (Manchanda, 2024). It is expected that the process of compliance auditing will protect business entities from corrupt and unethical practices that will enable the firm to survive and meet its goals (Stevenson, 2019). Recently, in the case involving the collapse of a Carillion Construction Company in the United Kingdom in 2018, users of audit reporting were deeply concerned about the persistent abuses of public confidence in the audit compliance process (Akther & Xu, 2021). It is quite disturbing to see the continuing widening of audit compliance gap owing to auditors' unethical practices, as this, unfortunately, keeps lowering credibility and dispersion contempt for audit compliance (Kumari & Ajward, 2023). Audit compliance issues have global evidence as seen many cases. These falls in audit credibility necessitated the introduction of a compliance audit. Gipper et al. (2020) The European Union's General Data Protection Regulation (GDPR) and other countries like Australia and Germany require businesses that operate in the European Union or serve EU customers to undergo compliance audits. UK publicly traded companies are required to undergo a compliance audit as companies that operate in the financial sector.

The Financial Reporting Council of Nigeria (FRCN), however, is a key body in charge of audit compliance in Nigeria as of the most recent update in January 2022. Setting accounting and auditing standards, encouraging financial reporting openness, and guaranteeing regulatory compliance are all important tasks carried out by the FRCN. Furthermore, the Nigerian capital market is governed by the Securities and Exchange Commission (SEC), which also requires listed companies to adhere to financial reporting criteria. In Nigeria, the supervision of audit compliance is primarily the responsibility of these two agencies.

Non- compliance with audit regulations can lead to legal penalties and sanctions impose by regulatory authorities (Garrett & Mitchell, 2020). These penalties can vary depending on the severity and frequency of the violations and suspension of licenses even legal actions against the company or its executives. Audit compliance failures can damage the organization’s reputation thereby eroding trust among customers, investors and other stakeholders (Ameyaw et al., 2024). Failure to comply with audit regulations can undermine stakeholder trust including investors, customers, suppliers and employees. Lack of confidence in the organization's ability to adhere strictly to regulations and maintain transparency may result in reduced investment, customer abrasion, difficulty attracting and retaining talent (Higgins et al., 2020). Additionally, non-compliance can lead to revenue loss or decreased market value if investors perceive the organization as dangerous or untrustworthy ties and competitive disadvantage. Despite implementing various audit procedures and rules, there remain persistent challenges in consistently meeting regulatory requirements and internal policies on audit compliance gap.

Owolabi and Folarin (2020) observed into how the Nigerian capital market was affected by the expectations of stakeholders, they found that there was a significant difference in the regions where auditors were responsible for preventing and detecting fraud. A survey questionnaire was used to determine the gap's intrinsic features, impacts, and strategies for concluding it. The results of several research, however, mostly demonstrated the existence of users' misunderstandings regarding the roles and responsibilities of auditors, and that audit environment impacted the impact of stakeholder expectations on audit compliance. It was discovered that audit compliance and stakeholder expectations are connected.

Studies have reliably shown that the connection between stakeholder expectations and audit compliance is very vital. For instance, Felehgari et al. (2021) and Olaleye and Igbekoyi (2020) found that stakeholders, ranging from shareholders and regulators to employees and customers, bring various perspectives and anxieties to the audit process. Their expectations can significantly influence the scope, depth, and focus of audits, ultimately impacting compliance outcomes. The effectiveness of audit compliance is a serious factor in ensuring organizational integrity, risk mitigation, and stakeholder assurance. When organizations adhere to audit recommendations and implement necessary changes, it leads to lots of benefits as noted by (Akther & Xu, 2020).

Similarly, research by Ngu and Amran (2018) and Stevenson (2019) also supported that Stakeholder expectation requires feedback from stakeholders on the organization's commitment to compliance and transparency. Despite the general findings on stakeholder expectation and audit compliance, there is inadequate research specifically on the impact of stakeholder expectations, especially within the Nigerian audit firms. Most previous studies have focused on proxy stakeholder expectations in audit firms with variables such as economic, legal, and ethical expectations. This study aimed to fill this gap by examining the stakeholder expectations and audit compliance using these variables to proxy stakeholder expectations in audit firms in Nigeria. Stakeholder perception, audit scope expectation and audit timing expectation while audit compliance was proxied by compliance with regulatory framework. This study employed policeman theory to fill the gaps identified by previous research that cited agency theory, stakeholder theory, signally theory, institutional theory, and so on as its underlying theories.

This study investigates the effect of stakeholders' expectation on audit compliance in Nigeria. The specific objectives are; to examine stakeholders' perception on audit compliance in Nigeria, to investigate the effect of audit scope expectation on audit compliance in Nigeria, to evaluate the effect of audit timing expectation on audit compliance in Nigeria. Audit compliance will be evaluated using compliance with regulatory framework. This study thus intends to explore the effect of stakeholder expectation and audit compliance from stakeholder's perspectives in selected audit firms in Nigeria. The outcomes of this research were anticipated to provide significant implications for policymaker, audit firms, regulatory authorities, investors, academics and other relevant stakeholders, especially in the auditing sector who would be interested in the implications of mechanism in achieving transparency and accountability in the sector towards greater audit compliance. It also ensured that the audit firms perform its role of examining and evaluating financial statement, detecting and preventing financial fraud and helping stakeholder make informed decision when it comes to audit compliance in order to ensure transparency in the business word (Roszkowska, 2022).

LITERATURE REVIEW

This section highlights the empirical evidence and theoretical basis underpinning this study.

Conceptual Review

This section gives definitions to the concepts of this studies and also showed the

link between stakeholder expectation and audit compliance.

Audit Compliance

Audit compliance refers to the process of ensuring that an organization adheres strictly to applicable laws, regulations, standards, and internal policies through systematic review, verification, and documentation. Alam et al. (2022) assessing whether an organization's activities, procedures, and practices adhere to pertinent legal, regulatory, and industry standards is the main goal of audit compliance. Financial reporting, internal controls, risk management, corporate governance, environmental sustainability, health and safety, data privacy, and ethical behavior are just a few of the many topics that fall under the broad umbrella of audit compliance. According to Stephen (2018) audit compliance is a formal examination of an organization's operations and procedures, with the primary goal of determining if an institution is adhering to internal rules, regulations, policies, decisions, and procedures. Additionally, he views it as a thorough examination of how well a business complies with legal standards and norms. It is also an essential procedure that assists a business in making sure that policies and procedures are being followed (Kagiri, 2023).

Stevenson (2019) defined audit compliance as an evaluation of whether the relevant laws, rules, and regulations, as well as various directives and instructions from the appropriate authority, are being followed. It is accomplished by determining whether the financial transactions, information, and activities are in compliance with the authorities that oversee the audited entity in all material aspects. Independent audit professionals carry it out, and the outcome is a final product like a report and assessment (Stephen, 2018). According to Stephen's description, audit compliance can assist businesses in locating gaps in their regulatory compliance procedures and in developing solutions. By comprehending the nature, significance, and operation of audit compliance, businesses can be ready for improvement.

Stakeholders' Expectation

Adherence to pertinent laws, rules, and industry standards is frequently one of the expectations set by stakeholders. Internal and external audits are carried out to make sure a company is abiding by its legal and regulatory responsibilities. Customers, regulators, and investors are examples of stakeholders that anticipate that the company operates legally and in accordance with industry norms. Infractions of these rules may lead to legal ramifications, harm to one's reputation, and dwindling shareholder confidence (Ngu & Amran, 2018).

Stakeholders expect transparency and accountability from organizations in their operations and financial reporting (Ayogu,2020). Audits play a crucial role in providing assurance to stakeholders that the organization's financial statements are accurate and reliable. By conducting audits, organizations demonstrated their commitment to transparency and accountability, which helps build trust with stakeholders (Matvieiev et al., 2020). Stakeholders anticipate that companies would fulfill their commitments to them and provide high-quality goods and services. Audits assist in identifying areas for improvement to better satisfy stakeholder expectations for performance and quality by assessing compliance with internal policies and procedures. (Akther & Xu, 2019)

One of the main expectations of stakeholders is to see the protection of their interests, especially when it is evident that they are not privy to the privileged information at the managers' disposal. In most cases, the manager is poised and motivated, pursuing the shareholder's high equity returns at the other stakeholders' expense (Owolabi & Omotilewa, 2020). There have been strong critics of shareholder's wealth maximization. This argument is anchored on the philosophy of exploiting the other stakeholders (employees, creditors, government, labour union, and other stakeholders whose interests were undermined and sacrificed for wealth maximization (Mansur & Tangi, 2018). Shareholder's wealth maximization encourages short-sightedness and manipulative tendencies to ensure increased earnings while at the same time, surcharging the other stakeholders (Owolabi & Folarin, 2020).

Furthermore, against to public expectation, the auditors are mere watchdogs rather than a bloodhound. Krishnan (2021) documented that the auditing standard should consider the concern of the stakeholders, make provision to make financial reporting accommodate the concern of the stakeholders, the more information of financial and nonfinancial disclosure in the annual financial report, auditors fair reporting is highly solicited. Auditors can give more honest, explicit, and detailed information to protect users of financial statements and security, relying on them for investment decisions (Roszkowska, 2021). Managers should uphold a high level of integrity, fairness to all, and ethical uprightness, protection all stakeholders' interest, fair treatment of its employees and ensure right welfare package, the honesty of none adulteration of products, honesty in tax returns to the government, protection of the environment, and ensure transparency, compliance to regulatory guidelines and honest reporting. (Tamunomiebi & Elechi, 2020)

Stakeholder Perception

The stakeholder perception can be referred to the beliefs, opinions, and attitudes that various stakeholders have about an organization, its activities, and its performance. It is important because the success of its adoption and corporate social responsibility practices depends on how stakeholders perceive and engage with the organization (Adib et al., 2021). Stakeholder perception and audit compliance are intertwined in several ways within the realm of corporate governance and risk management. Stakeholder perception of an organization's commitment to compliance, transparency, and accountability significantly influences their trust and confidence in the organization. If stakeholders perceive that an organization is proactive in ensuring audit compliance, conducting regular audits, and addressing any identified issues, they are more likely to trust the organization and have confidence in its operations and financial reporting (Akther & Xu, 2020).

Stakeholder perception of an organization's risk management practices is influenced by its approach to audit compliance. Effective audit compliance helps mitigate risks related to financial misstatements, fraud, non-compliance with laws and regulations, and operational inefficiencies. Stakeholders are more likely to perceive an organization as low-risk if they believe it has robust audit compliance processes in place (De Villiers et al., 2022). Stakeholder perception of an organization's adherence to legal and regulatory requirements is closely tied to its audit compliance practices. If stakeholders perceive that an organization is committed to meeting its legal and regulatory obligations through rigorous audit compliance, they are more likely to trust that the organization operates ethically and responsibly (Khuong et al., 2021).

Audit Scope Expectation

The audit plan or reference contains documentation of the audit scope, which is often established during the audit planning stage. To guarantee that the audit is carried out in a targeted and effective manner, it is critical to have a well-defined audit scope (Owolabi & Omotilewa, 2020). The audit scope is directly linked with audit compliance as it defines the boundaries and objectives of the audit process, including what aspects of the organization's operations, processes, and financial records will be examined for compliance with relevant laws, regulations, standards, policies, and procedures (Olojede et al., 2020). The audit scope aids in locating possible compliance hazards and trouble spots inside the company. It helps auditors concentrate their attention on areas where non-compliance is more likely to occur or have a major impact by specifying which processes, transactions, and controls will be examined during the audit (Olojede et al. 2020) The parameters for what will be covered by the audit and what will not are set forth in the audit scope. This guarantees that the audit stays away from needless duplication or inefficiencies and concentrates on the most important areas of compliance risk. Auditors can control expectations and inform stakeholders of the audit's limitations by precisely outlining the scope requirement (De Villiers et al., 2022).

Audit Timing Expectation

The schedule and time factors that go into organizing, carrying out, and wrapping up an audit engagement are referred to as audit timing. It entails figuring out when to start and finish audit operations in order to accomplish the audit goals quickly and effectively. According to Akther and Xu (2020) satisfying regulatory requirements, reporting deadlines, and stakeholder expectations while maintaining the efficacy, efficiency, and quality of audit engagements depends on the timeliness of the audits (Hoang et al., 2020).

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Since the timing of an audit is determined by how it fits within the organization's financial reporting cycle and operational activities, it is intimately related to audit compliance. The efficacy and efficiency of determining conformity with pertinent laws, regulations, standards, policies, and procedures can be significantly impacted by the date of the audit. Organizations may identify non-compliance issues quickly and take necessary remedial action when they conduct timely compliance assessments. (Garrett & Mitchell ,2020).

Theoretical Review

This study investigated Policeman Theory, providing the theoretical foundation for its investigation

Policeman Theory

Prof. Limperg first proposed the policeman theory in the late 1920s. According to the theory, an auditor's main responsibilities are to prevent and detect frauds and verify the arithmetic accuracy of financial reports.

The theory is based on several assumptions about relationship dynamics; It assumes that there is a power imbalance in the relationship, with one partner exerting control over the other. It suggests that partners in the relationship assume specific roles, with one taking on the role of the "policeman" or enforcer of rules, while the other adopts the role of the "offender" or rule-breaker.

It posits that the "policeman" partner uses control mechanisms, such as monitoring, surveillance, criticism, or punishment, to enforce compliance with relationship norms and expectations. It implies that this dynamic may lead to patterns of conflict, resentment, and dissatisfaction within the relationship, as the "offender" partner may feel stifled or oppressed by the policing behavior of their partner.

The "policeman theory" can be applied to various types of relationships, but it is most commonly discussed in the context of romantic partnerships. In some relationships, one partner may assume a dominant role, seeking to control the behavior, actions, and choices of the other partner. This controlling behavior can manifest in various forms, such as monitoring their partner's activities, dictating their social interactions, or imposing strict rules and expectations.

The "policeman" partner may act as an enforcer of relationship rules and norms, imposing consequences or punishments when their partner fails to comply. This could involve criticism, verbal abuse, withdrawal of affection, or even threats of physical violence in extreme cases.

The "offender" partner may resist the controlling behavior of their partner, leading to conflict and tension within the relationship. They may feel resentful, trapped, or oppressed by the constant surveillance and criticism, leading to a breakdown in communication and intimacy.

Over time, the "policeman theory" suggests that this dynamic can erode the quality of the relationship, leading to increased dissatisfaction, emotional distress, and even the breakdown of the relationship altogether if the controlling behavior is not addressed and resolved.

Empirical Review

This research examined relevant literatures concerning stakeholder expectation and audit compliance in accordance with the study's specific objectives, methodology, findings and hypotheses thereby formulated.

Stakeholder Perception and Audit Compliance

Stakeholder perception and audit compliance are precisely linked. Stakeholders, ranging from investors and creditors to employees and the community, form opinions about an organization's financial health, ethical conduct, and overall performance based on various factors, including the quality of its financial reporting (Adhariani & De Villiers, 2019). Audit compliance, on the other hand, is the adherence to auditing standards and regulations to ensure the accuracy and reliability of financial information (Kagiri, 2023). Understanding stakeholder perceptions of audit compliance is crucial for enhancing audit quality and public confidence in the financial reporting process. This review examines existing empirical studies on stakeholder perception of audit compliance in Nigeria, identifying their objectives, methodologies, findings, strengths, and weaknesses.

Akther and Xu (2020) examined the existence of the audit expectation gap, its impact on stakeholders' confidence, and how the dynamic function of the economic council appropriately mitigated it. The research utilized a structured questionnaire and a pragmatic exploratory approach to collect data from a subset of participants. A total of 174 questionnaires were distributed to financial authorities in Bangladesh, auditors, investors, and investment and credit experts. For the investigation, a partial least square structural equation model was used. The benefits of the audit report, the provision of non-audit services, the going concern report, the perceived expectation that the auditors would not meet in providing financial statement users with assurance of reliability, and the audit expectation gap from various stakeholders resulting from the statutory auditor's responsibility in fraud detection and reporting were taken into consideration.

Strandberg and Grahame (2020) examined the type of audit conduct literature and stakeholder perspectives that were published in Australian Social Works throughout an 11-year period, from 2007 to 2017. Examining stakeholders' perceptions of the audit expectation gap in Nigerian audit companies and determining the variables affecting these perceptions are the goals. The investigation also looked at the various stakeholder audit conduct opinions that were printed in Australian Social Works. The study looked at 21 literature reviews in total using exploratory review methods. Some of the literature used a systematic method, meta-analysis, scoping review, and narrative review techniques. Strandberg and Grahame found that the outcomes of most Australian audit opinion study were fairly consistent. The methods of scoping and systematic review were frequently used in research. On the other hand, a few others did not reveal the research technique. The study concluded that previous Australian-published research provided a strong starting point for scholars wishing to further quality auditing in the future. Through comprehending and tackling stakeholder perception, organizations may cultivate trust, bolster their status, and attain sustained prosperity (Khuong et al., 2021).

An empirical study was conducted by Olojede et al. (2020) to ascertain the scope and nature of the audit expectation gap in Nigeria. The authors used survey and descriptive research designs to achieve the study's objective. They obtained information by using primary sources and a methodical questionnaire. The study employed the Mann-Whitney U and Kolmogorov-Smirnov Z tests for data analysis and distribution normality, respectively. The results show that there is a discrepancy between audit expectations in Nigeria and that the new auditor's report did not significantly close the gap. It was shown that users' unrealistic expectations, which resulted from their unawareness of the roles played by auditors, were the primary source of the audit expectation gap, maintaining audit independence improved stakeholder assurance and positively influenced the audit expectation gap's decline.

Olaleye and Igbekoyi (2020) collected information for a study on stakeholders' expectations regarding environmental accounting systems by surveying sampling firms' clients, shareholders, employees, and select members of the host community. A survey research design was used in the study. All 67 manufacturing companies that were listed on the Nigerian Stock Exchange as of the end of 2018 made up the study's population. Twenty-four (24) businesses were specifically selected to serve as a sample. The data were analyzed using both inferential and descriptive statistics. The findings included environmental goals and policies, occupational health and safety, and regression analysis showed the precise influence of stakeholders' expectations on environmental accounting practices.

Zarzycka et al. (2021) investigated how the integrated accounting postulate can help stakeholders' expectations for financial reporting to be bridged. Stakeholders like as depositors, stockholders, regulators, and auditors participated in a cross-sectional survey. The results showed that there is a substantial difference in stakeholders' expectations regarding audits, with some expecting auditors to offer assurance that goes beyond the view of their duties. Media impact, financial literacy, and prior exposure to financial accounts were among the variables affecting impression. Evidently, there is little empirical data to assess how audit compliance confers to closing expectations gaps among stakeholders.

Fathi and Rashed (2021) looked into the opinion of Egyptian professional auditors regarding the effect of audit firm rotation on audit quality. Utilizing questionnaires, primary data were gathered and analyzed. 83 auditors made up the sample size that was selected using a non-probabilistic selection technique. The data was analyzed using the t-test. The results showed that auditors believed a long audit tenure had a negative relationship with audit quality. Mandatory auditor rotation and client-specific knowledge have a detrimental relationship. Mandatory auditor rotation is positively correlated with the independence of auditors. The study's only focus was on auditors' impressions. It disregards other interested parties, including clients, associations for the auditing profession, and laws that restrict generalization. The validity and reliability of the findings are limited by the researcher's use of questionnaires and non-probabilistic sampling technique.

H_{01}: Stakeholder Perception has no significant effect on Audit Compliance of selected Audit firms in Nigeria.

Audit Scope expectation and Audit Compliance

Audit scope and **audit compliance** are intrinsically connected. The scope defines the boundaries of an audit, outlining what will be examined, while compliance refers to adherence to auditing standards and regulations. The scope of audit in Nigeria has changed over time, influenced by factors such as regulatory changes, economic conditions, and stakeholder expectations (Alfred, 2021). This review examines existing empirical studies on audit scope in Nigeria, identifying their objectives, methodologies, findings, hypotheses, strengths, and weaknesses

Minutti-Meza (2021) looked into how the Chinese users of the auditors' audited financial statements were now responding to the audit opinion. In the study, which used secondary data, 1,555 listed companies on the Shanghai Stock Exchange were examined over the course of four years, from 2006 to 2009. According to the study's findings, financial statement consumers generally believed that audit opinions had a beneficial impact on liability costs, enhanced the environmental capital market, and increased the effectiveness of asset deployment in China. The study also showed that businesses looking to incur larger expenses in order to obtain debts were given the impressions of unqualified auditors.

Strandberg and Grahame (2020) examined the type of audit conduct literature and stakeholder perspectives that were published in Australian Social Works throughout an 11-year period, from 2007 to 2017. Using exploratory review techniques, the study examined 21 literature reviews in total. A systematic approach, meta-analysis, scoping review, and narrative review approaches were employed in some of the literature. Strandberg and Grahame discovered that the majority of Australian audit opinion research was reasonably consistent in their conclusions. Many research routinely employed scoping and systematic review techniques. Conversely, several others did not disclose the methodology used in their research. The study came to the conclusion that earlier Australian-published work offered a solid foundation for future academics looking to advance quality audit.

Ibanga and Ebitimi (2020) examined how businesses in Ondo State, Nigeria, perceived and managed environmental quality. Examining how the enterprises' stakeholders view their efforts regarding environmental quality management at their plants in relation to human welfare objectives was the primary goal. For the study, a sample of 200 businesses was selected. Two separate sets of questionnaires were given to residents living within a 100-meter radius of each chosen firm, as well as business owners. In the course of the first reconnaissance survey, the towns were named and assigned numbers. Merely weighted values and basic tables were used to analyze the data. According to the findings, the majority of the 200 inhabitants who were sampled (87.2%) thought that the nearby factories' operations were negatively affecting them. Furthermore, there were differences in viewpoints regarding the evaluation of environmental management strategies used for waste management between the owners and the surrounding community.

Wang et al. (2021) studied the impact of green innovation on environmental and business performance. Their research aimed to determine the connections between performance, green innovation, and stakeholders. A survey based on empirical data was carried out on 202 industrial and service enterprises in Taiwan. The primary method for testing and analyzing hypotheses in the study was partial least square analysis (PLS) (Smart PLS 2.0). The findings demonstrated that green innovation techniques are supported by pressure from rival businesses, the government, and employee behavior. Additionally, the PLS analysis showed that environmental practices were not significantly impacted by supplier and customer demand about green innovation activities.

Abdullahi and Kawu (2020) looked into the triple bottom line accounting technique with stakeholders in Nigeria. The perceived significance of triple bottom line disclosures to stakeholders was empirically investigated in this study. The descriptive study design was used to produce the necessary data. Three unique categories comprised the study population: accountants, customers, and investors. According to the research, consumers do not depend on triple bottom line reporting as a means of evaluating an organization's social effect, and investors lack confidence in the use of such reporting as a foundation for making investment decisions.

Okaro and Okafor (2021) investigated Nigerian stakeholders' expectations and Corporate Social Responsibility (CSR) practices. Finding out what stakeholders expected from CSR was the goal. In the context of Nigeria's corporate environment, the study's primary stakeholders were determined to be employees, consumers, shareholders, and local communities. For this study, survey and quantitative research methods were used to examined how people perceive the quality of the environment and A total of 240 copies of the questionnaire were distributed to participants who were specifically chosen from each of Nigeria's six geopolitical zones. The results show that CSR is about treating stakeholders morally and that, in Nigeria, the four aspects of CSR - economic, legal, ethical, and philanthropic-are not given equal weight. Stakeholders in Nigeria prioritize economic, legal, and ethical obligations over charitable contributions.

According to Zarzycka et al. (2021) there is evidence that increases stakeholder confidence when needs and expectations are met. This can be achieved by giving stakeholders comprehensive information about an organization's past, present, and future activities as well as by transparently disclosing all relevant information, both financial and non-financial. Stakeholder engagement, according to Cosma et al. (2022), is a valuable technique for bridging the gap between stakeholders' expectations and identifying material issues to include in sustainability reports. It also fosters trust and transparent connections with stakeholders.

According to Torelli, et al. (2020) and Stocker (2020), stakeholder engagement gives companies the chance to recognize the different stakeholder interests and create sustainability reports that balance those interests. Despite their competing objectives, the writers claim that this fosters and develops positive working relationships between the companies and the various stakeholders in value creation.

H_{02}: Audit Scope expectation has no significant effect on Audit Compliance of selected Audit firms in Nigeria

Audit timing expectation and Audits compliance

The timing of an audit can significantly impact its effectiveness in assessing compliance. The ideal timing depends on various factors, including the nature of the audit, the organization's business cycle, and the specific compliance requirements (Vasarhelyi et al., 2018). This review examines existing empirical studies on audit timing in Nigeria, identifying their objectives, methodologies, findings, hypotheses, strengths, and weaknesses.

Abdulmalik, et al. (2019) stated that management and statutory auditors are responsible for the timely dissemination of financial information. Timely reporting involves three parties, namely the management, auditors, and regulatory bodies, to a tolerable degree. The financial statement is prepared by the management, and the deadlines for filing financial reports are established by the regulatory authorities. Similarly, it is expected of the auditors to perform effectively without compromising the accuracy and dependability of the financial report. The statutory audit has an impact on the timeliness of providing the published account because the audit procedure needs to be finished (Bellucci et al.,2019)

Alsmairat et al. (2019) investigated the impact of the public accountants and the public accounting firm's audit tenure on audit compliance in Indonesia, both before and after the mandated auditor rotation rule was put into place. In the study, the researchers employed two observation periods: the years 2004 - 2008 represented the years following the mandatory auditor rotation law, while the years 1999 - 2001 represented the years before to the requirement. Regression analyses and descriptive statistics were utilized to examine the data for both time periods. Findings indicated that, for the time after mandatory auditor rotation, longer audit tenure was linked to lower audit compliance; however, for the time prior to mandatory auditor rotation, longer audit tenure was linked to higher audit quality. The study's use of discretionary accruals as the sole indicator of audit quality made it difficult to extrapolate the results. Additionally, the study did not look at how audit rotation and tenure affected compliance differently among industries.

Boateng (2021) examined if the substantial relationships between audit partner tenure and audit compliance still exist in Australia following the introduction of required audit partner rotation. Financial statements and audit opinions for businesses having a balance sheet after July 1, 2006, to June 30, 2010 were gathered using an ex post facto study methodology. The 4,711-sample data set was limited to banks in financial difficulties. To examine the data, a logistic regression model was employed. According to research, when audit partner rotation is required after a predetermined amount of time, auditors are more likely to provide qualified going-concern opinions for financially troubled organizations. Results indicated that audit quality has increased since audit partner rotation became mandated. However, "timeliness of audit report is a measure of the amount of time that passes between a firm's year-end and the date that financial information is made available to the public." The interval between when data is expected and when it is easily accessible for usage can be used to gauge timeliness. It also entails providing decision-makers with timely access to information so they can be influenced by it.

According to Idris and Adediran (2023), timeliness is the ability of decision makers to obtain information before it becomes irrelevant and loses its power to influence decisions. Generally speaking, one may make more effective decisions with shorter time lags. The timing of the audit indicates where the auditor must work efficiently within the allotted period. When a skilled auditor completes their audit task within the allotted time, it demonstrates their efficient performance. The auditors are frequently under pressure because they have to finish their responsibilities within the allotted time. As such, it directly affects how the audit is carried out. Additionally, it may result in the auditor adhering to fewer specified audit processes, which could have an impact on the audit's quality. This is in line with the findings of Johari et al. (2019), who claimed that because there is not enough time allotted for an audit assignment, the auditor will likely work rapidly to finish the necessary audit procedures, leading to inadequate performance. Empirical evidence was established in multiple research projects (Munidewi et al., 2019; Ishak & Shalehah 2022); Meisyarah & Mappanyukki 2024) indicating that time budget pressure has a detrimental impact on audit quality.

Singh et al. (2019) looked into the significance of the relationships between audit partner tenure and audit quality following the introduction of required audit partner rotation in Australia. Financial statements and audit opinions for businesses having a balance sheet after July 1, 2006, to June 30, 2010 were gathered using an ex post facto study methodology. The 4,711-sample data set was limited to banks in financial difficulties. To analyze the data, a logistic regression model was employed. Results indicated that audit quality has increased since audit partner rotation became mandated. The study's generalizability may be impacted because it solely included a small number of specifically chosen financially troubled Australian banks, blatantly excluding other industries, which could have an impact on its generalizability.

H_{03}: Audit Timing expectation has no significant effect on Audit Compliance of selected Audit firms in Nigeria.

Conceptual framework.

The Conceptual Framework (Figure 2.1) shows the interactions between the independent variable (Stakeholder expectation) and the dependent variable (Audit Compliance).

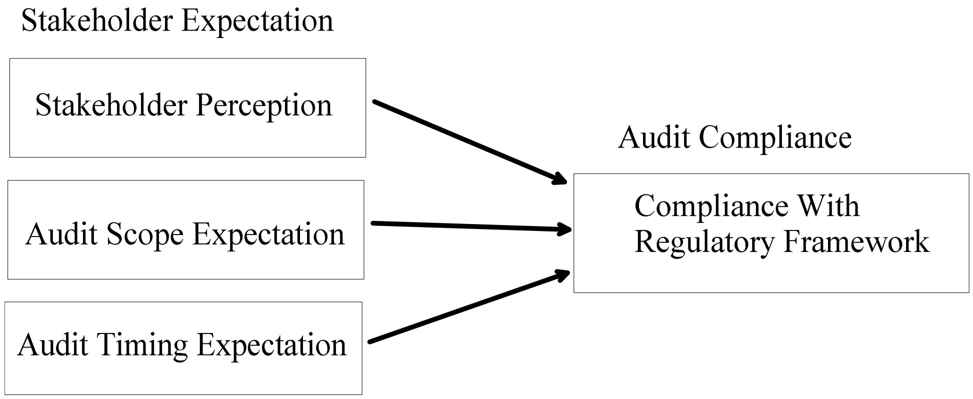

Figure 2.1: Conceptual framework.
Source: Authors' Concept (2024)

METHODOLOGY

This section discussed the research methodology, study population, and sample and sampling techniques to determine the sample size for the study. It will cover data collection and analysis. It will provide a sight into numerous studies carried out by exceptional researchers.

Research Design

This study was guided by ontology philosophy as it seeks to investigate effects of stakeholder expectation gap on Audit compliance in the informal sector and how the variables related to one another. The study employed purposive research design. This is because it focused on selected Audit firms in Ikeja Local government Lagos state, Audit firms in Ado- Ekiti, Ekiti State and Audit firms in Akure, Ondo State Nigeria. This helped the researcher to target specific individuals, groups or settings that are likely to provide valuable insights rather than relying on random sampling.

Sources of Data

Primary sources were used to acquire data. The main information was gathered using a questionnaire from the chosen demographic of interest. Obtaining primary data entails utilizing questionnaire to gather information from respondents.

Population of the Study

The target population comprised 1,282 respondents from Audit firms in selected states in south western Nigeria; Lagos, Ondo and Ekiti states, published by Institute of Chartered Accountant of Nigeria (ICAN) as at 31st December 2023. It is distributed as follows: 1,179 in Lagos state, 85 in Ondo state and 18 in Ekiti state.

Sample size and Sampling Techniques

The research's sample size of 344 respondents were determined using Daniel's (1999) formula. Proportionate sampling was applied to allocate the sample across the Audit firms in accordance with their respective population sizes. Thus, the sample includes 297 from Lagos state, 35 from Ondo state and 12 from Ekiti state. Also, purposive sampling technique was adopted, the obvious advantage of purposive sampling was that the researcher could use his skill and past knowledge to choose respondents.

The sample size can be calculated using the formula.

$$n = (Z^2 \times p \times q)/ (E^2 + Z^2 \times p \times q / N) \qquad \text{equation (1)}$$

Where:

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n = Sample size
Z = Z-score corresponding to the desired confidence level
N = Total Population
P = Estimated proportion of the population within the characteristics of interest
q = 1-P (The estimated proportion without the characteristics)
E = design Margin of error.

Using the following values:
N = 1282
Z = 1.96
p = 0.5
q = 0.5
E = 0.05

Calculations:
$Z^2 = 1.96^2 = 3.8416$
$p \times q = 0.5 \times 0.5 = 0.25$
$E^2 = 0.0025$
$n = (3.8416 \times 0.25) / (0.0025 + 3.8416 \times 0.25 / 1282)$
$n = 0.9604 / (0.0025 + 0.000298)$
$n = 0.9604 / 0.002798$
$n \approx 343.5$
$n \approx 344.$

Research Instrument

The study's structured, closed-ended questionnaire was utilized to gather data. The purpose of the questionnaire was to evaluate how informal sector stakeholders had handled non compliance and how it has impacted the gap in expectations between stakeholders. A five-point Likert scale labeled as Strongly Agree (SA), Agree (AG), Undecided (UD), Disagree (DG), and Strongly Disagree (SD) were used to create the questionnaire.

There were two sections on the questionnaire (A&B), Section A was contained background information about the respondents While Section B included questions about the assessment of stakeholder expectations and their impact on audit compliance in the informal sector. Alongside the questionnaire administration, respondents were also interviewed to determine how well they comprehend.

Reliability and validity of research instrument

The reliability and validity of the research instrument was evaluated using statistical method (Cronbach Alpha) and non-statistical method (pilot study of the questionnaire with focus on selected (Audit firms) in Nigeria.

Model Specification

This study adopted and modified the econometric model used by Akther & Xu (2020) The study investigated stakeholder expectation and audit compliance in Nigeria, where stakeholder expectation is the independent variable and Audit compliance is the dependent variable (Figure 2.1), this study focused on police man theory. The model is stated as follows:

Functional model: AUC represents Audit Compliance, dependent variable; Compliance with Regulatory Framework.

Operational Model

$AUC = \beta_0 + \beta_1 BSTP + \beta 2BAUSE + \beta_3 AUTE + U$ equation (2)

Where:

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AUC is Audit Compliance
STP is Stakeholder Perception
AUSE is Audit Scope Expectation
AUTE is Audit Timing Expectation
B0 is Constant
β_1 - β_3 is Coefficient of the independent variables
µit is Error term of firm
it is 'i' in period 't'

The *a priori* expectation based on literatures reviewed and theories is as follows, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$.

Data Analysis Techniques

Descriptive statistical analysis techniques was used for the data presentation, which include Tables, bar charts and frequency distribution. Inferential statistics such as combination of correlation statistics, and panel regression analysis was used to evaluate the relationships and effects between key variables such as audit compliance, stakeholder perceptions, audit scope expectations, and audit timing expectations. The correlation analysis was used to measure the strength and direction of linear relationships between the variables, providing insight into whether and how strongly these variables are related. Finally, the panel regression analysis was conducted to explore the dynamic relationship between the dependent and independent variables over time, controlling for both individual and temporal variations.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Data Presentation

The primary objective of this section was to analyze and interpret the responses obtained through the structured questionnaire, in line with the research objectives. The section begins with the presentation of the demographic characteristics of the respondents, followed by the descriptive analysis of key variables related to the stakeholder expectation gap and audit compliance in the informal sector. The demographic information of the respondents provides essential insights into the composition of the participants in this study. Understanding the respondents' job titles, years of service, state of operation, grade level, audit compliance, level of education, and professional qualifications helps to contextualize the data analysis and enriches the interpretation of the study's findings.

In table 1, the majority of the respondents (61.1%) hold positions as accountants, making them the largest professional group in the sample. Auditors make up the second-largest category at 27.0%, which is significant given the study's focus on audit compliance. Other job titles represented include revenue officers (3.7%), budget officers (4.5%), expenditure control officers (2.6%), and procurement officers (1.1%). This distribution indicates that the majority of respondents are directly involved in accounting and auditing, which enhances the reliability of their responses concerning audit compliance and the stakeholder expectation gap.

Respondents have varying levels of experience, with the highest proportion (25.9%) having between 5 to 10 years of service. Those with 0 to 5 years make up 19.9%, while 19.0% have over 20 years of service. Other categories include those with 11 to 15 years (16.8%) and 16 to 20 years (18.5%). This distribution shows a diverse range of experience levels, suggesting that the study captures insights from both relatively new professionals and those with long-term experience in the field, contributing to a balanced perspective on audit compliance.

The majority of respondents (60.8%) operate in Ekiti State, followed by Lagos State (19.3%) and Ondo State (9.7%). The remaining respondents are scattered across various states such as Gombe (3.1%), Kaduna (2.3%), Adamawa (1.7%), and others. The high representation from Ekiti State suggests that the study's findings may be particularly reflective of conditions in that region. However, the inclusion of respondents from a variety of states ensures that the study also considers a broader geographical perspective.

A significant portion of respondents (45.5%) are in grade levels 8 to 10, indicating a high concentration of mid-level professionals. Those in grade levels 12 to 15 constitute 38.1%, while 13.6% are in grade level 16 and above, representing higher-level positions. Only 2.8% of respondents are in grade level 11. This spread shows that the sample includes a mix of mid- and senior-level professionals, allowing the study to reflect a wide range of organizational roles and perspectives on audit practices.

In terms of audit compliance, a significant portion of respondents (52.0%) report a middle level of compliance, followed by 45.5% indicating high compliance. Only a small fraction (2.6%) report low compliance. These figures suggest that while most organizations are maintaining a reasonable level of audit compliance, there was room for improvement. The low percentage of respondents indicating low compliance underscores the relatively strong adherence to audit standards in the sample, particularly within the formal settings under study.

The educational qualifications of respondents reflect a highly educated workforce. The majority hold a Bachelor's degree (42.9%), while 31.3% possess a Master's or Doctoral degree. Respondents with OND or HND qualifications account for 25.3%, and only 0.6% of respondents have an SSCE qualification. This high level of education among respondents suggests that the study draws on the views of highly trained individuals, enhancing the credibility and depth of their responses, particularly in areas like audit compliance and stakeholder engagement.

In terms of professional qualifications, a significant proportion (46.6%) of respondents hold the Institute of Chartered Accountants of Nigeria (ICAN) certification, reflecting the dominance of ICAN-certified professionals in the Nigerian audit field. Another 18.2% of respondents hold the ANAN (Association of National Accountants of Nigeria) qualification, while a smaller group (3.7%) are certified by the ACCA (Association of Chartered Certified Accountants). A sizable portion (31.5%) holds other professional qualifications. This variety of certifications indicates that the respondents were well-qualified professionals, capable of providing informed opinions on audit compliance and stakeholder expectations.

Summarily, the demographic information revealed a well-balanced, diverse, and highly educated group of respondents with a strong concentration of professionals in accounting and auditing roles. The range of years in service and grade levels further suggests that the data comes from individuals with varying degrees of experience and organizational responsibility. The majority of respondents report a middle to high level of audit compliance, reflecting the effectiveness of audit practices within the informal sector. Additionally, the dominance of ICAN-certified professionals highlights the relevance of the findings to the Nigerian audit landscape. These characteristics lend credibility to the study's findings, providing a strong foundation for analysing the effects of the stakeholder expectation gap on audit compliance.

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Table 1: Demographic Information of Respondents.

	Value	Frequency	Percentage (%)
Current Job Title	Accountant	215	61.1
	Auditor	95	27.0
	Revenue Officer	13	3.7
	Budget Officer	16	4.5
	Expenditure Control Officer	9	2.6
	Procurement Officer	4	1.1
	Total	**352**	**100.0**
Years in service	0 - 5years	70	19.9
	5 -10years	91	25.9
	11 - 15years	59	16.8
	6 - 20years	65	18.5
	Above 20years	67	19.0
	Total	**352**	**100.0**
State of operation	Lagos State	68	19.3
	Ondo State	34	9.7
	Ekiti State	214	60.8
	Abuja	1	.3
	Gombe	11	3.1
	Plateau state	3	.9
	Adamawa state	6	1.7
	Ogun state	5	1.4
	Kaduna	8	2.3
	Oyo State	2	.6
	Total	**352**	**100.0**
Grade Level.	Level 8 – 10	160	45.5
	Level 11	10	2.8
	Level 12 – 15	134	38.1
	Level 16 and above	48	13.6
	Total	**352**	**100.0**
Level of Audit Compliance	High	160	45.5
	Middle	183	52.0
	Low	9	2.6
	Total	**352**	**100.0**
Level of education	SSCE	2	.6
	OND/HND	89	25.3
	B. Sc	151	42.9
	M.Sc./Ph.D.	110	31.3
	Total	**352**	**100.0**
Professional Qualification	ICAN	164	46.6
	ACCA	13	3.7
	ANAN	64	18.2
	Others	111	31.5
	Total	**352**	**100.0**

Source: Researcher's field survey 2024

Descriptive Statistics

The descriptive statistics provided summarize the key variables in the study, including Audit Compliance (AUC), Stakeholder Perception (STP), Audit Scope Expectation (AUSE), and Audit Timing Expectation (AUTE). These statistics offer insights into the distribution, central tendencies, and variability of these variables, as well as the skewness and kurtosis, which provide information on the shape of the data distribution.

The variable for audit compliance (AUC) has a mean value of 2.04, suggesting that on average, the respondents rate audit compliance slightly above the midpoint of the scale (assuming a 1-4 scale). The standard deviation of 0.569 indicates moderate variability in the responses, meaning that while there is some dispersion in the ratings, most respondents fall relatively close to the mean. The skewness of 0.521 indicates a slight positive skew, meaning that there are more responses on the lower end of the scale. The kurtosis value of 0.486 suggests that the distribution of responses is fairly normal, with no extreme deviations from a normal bell-shaped curve.

Stakeholder perception (STP) has a mean of 2.01, closely resembling that of audit compliance, which indicates that stakeholders' perception of audit processes is also around the midpoint of the scale. The standard deviation is 0.624, showing slightly higher variability compared to audit compliance, suggesting that respondents' perceptions of stakeholders' influence on audit processes are a bit more spread out. The skewness of 0.722 indicates a moderate positive skew, implying that a greater number of respondents provided lower ratings for stakeholder perception, possibly reflecting a critical view of stakeholder engagement. The kurtosis value of 0.586 suggests that the distribution is fairly normal but slightly more peaked than expected in a normal distribution.

Audit Scope Expectation (AUSE) has a mean value of approximately 2.05, indicating that respondents' expectations regarding the scope of audits tend to hover around a neutral midpoint. The standard deviation of 0.502 is lower than that of both AUC and STP, indicating that respondents' views on the scope of audits are more consistent, with less dispersion. A skewness of 0.271 suggests that the data was only slightly positively skewed, meaning that the distribution was nearly symmetrical. The kurtosis value of -0.019 indicated that the distribution was close to normal but with a slightly flatter shape, suggesting less clustering around the mean.

Audit Timing Expectation (AUTE) has a mean of 2.071, indicating that, on average, respondents' expectations regarding the timing of audits also align closely with the midpoint of the scale. The standard deviation of 0.5276 suggested moderate variability, with responses spread slightly more widely than for audit scope but still concentrated near the mean. The skewness value of 0.313 showed a slight positive skew, but this skew was minimal, indicating a fairly symmetric distribution. A kurtosis value of 0.700 suggested a sharper peak compared to a normal distribution, implying a concentration of responses around the mean but with some presence of outliers.

Table 2: Descriptive Statistics of Study Variables

	AUC	STP	AUSE	AUTE
N	352	352	352	352
Minimum	1	1	1.000	1.0
Maximum	4	4	3.625	4.1
Mean	2.04	2.01	2.04779	2.071
Std. Deviation	.569	.624	.502491	.5276
Skewness	.521	.722	.271	.313
	.130	.130	.130	.130
Kurtosis	.486	.586	-.019	.700
	.259	.259	.259	.259

The table shows the results analysis of mean, number of observations, minimum and maximum statistics, standard deviation, skewness, and kurtosis.

Source: Researcher's Computation (2024)

Test of Hypothesis

The analysis and testing of the study's hypotheses using a combination of correlation statistics, and panel regression analysis goal is to evaluate the relationships and effects between key variables such as audit compliance, stakeholder perceptions, audit scope expectations, and audit timing expectations. The correlation analysis was used to measure the strength and direction of linear relationships between the variables, providing insight into whether and how strongly these variables are related. Finally, the panel regression analysis was conducted to explore the dynamic relationship between the dependent and independent variables over time, controlling for both individual and temporal variations. By employing these statistical methods, the study comprehensively tests the hypotheses and determine whether there is sufficient evidence to support or reject them.

The correlation between Audit Compliance (AUC) and Stakeholder Perception (STP) was positive (0.526) and statistically significant. This indicates a moderately strong relationship, meaning that higher stakeholder perceptions are associated with better audit compliance. This suggests that when stakeholders perceive audits to be thorough and effective, organizations are more likely to comply with audit standards. The correlation between AUC and Audit Scope Expectation (AUSE) is even stronger at 0.567, also significant at the 0.01 level. This implies that a broader or more comprehensive audit scope was linked to higher audit compliance. Organizations that meet or exceed stakeholder expectations regarding the depth of the audit are likely to demonstrate higher levels of compliance. Lastly, AUC has a moderately strong positive correlation with Audit Timing Expectation (AUTE), with a Pearson correlation of 0.519. This suggests that when audits were conducted within the expected timeframe, organizations tend to comply more with audit requirements. Timeliness was therefore a key factor influencing audit compliance. Overall, audit compliance was positively influenced by stakeholder perception, audit scope, and timing expectations, reflecting the importance of meeting both the expectations of stakeholders and the logistical requirements of audits.

Stakeholder perception (STP) was strongly correlated with both audit scope expectation (AUSE) and audit timing expectation (AUTE), with coefficients of 0.567 and 0.588, respectively. These significant correlations suggest that stakeholders' perceptions of audit effectiveness are closely related to the comprehensiveness of the audit and its timely

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execution. As stakeholders perceive audits to be thorough and timely, their overall satisfaction with audit outcomes improves. The correlation between STP and AUTE (0.588) is particularly strong, highlighting that stakeholders place significant value on audits being conducted within expected timelines. This emphasizes the role of time management in fulfilling stakeholder expectations and ensuring a positive perception of the audit process.

Audit scope expectation (AUSE) showed a strong positive correlation with both audit compliance (AUC) and stakeholder perception (STP), indicating that a broader or more detailed audit scope leads to greater compliance and higher stakeholder satisfaction. The consistent correlation of 0.567 with both AUC and STP suggested that organizations that meet expectations for a comprehensive audit scope were more likely to comply with audit standards and satisfy stakeholders. Additionally, the correlation between AUSE and audit timing expectation (AUTE) was also moderately strong at 0.509. This indicated that audit scope and timing expectations were linked, with stakeholders likely expecting both thorough and timely audits. Organizations that meet these dual expectations tend to see better outcomes in terms of both compliance and perception.

Audit timing expectation (AUTE) has a significant positive correlation with all other variables, but the strongest relationship was with stakeholder perception (STP), with a Pearson correlation of 0.588. This suggested that stakeholders placed a high priority on the timing of audits and that meeting or exceeding timing expectations significantly enhances stakeholders' satisfaction with the audit process. The correlations between AUTE and both AUC (0.519) and AUSE (0.509) also indicate that timely audits contribute to both higher compliance and a broader audit scope. Organizations that prioritize audit timeliness not only comply more readily with audit requirements but also tend to align their practices with broader audit scopes, fulfilling both internal and external expectations.

Table 3: Correlation of the Study Variables

		AUC	STP	AUSE	AUTE
AUC	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	352			
STP	Pearson Correlation	.526**	1		
	Sig. (2-tailed)	.000			
	N	352	352		
AUSE	Pearson Correlation	.567**	.567**	1	
	Sig. (2-tailed)	.000	.000		
	N	352	352	352	
AUTE	Pearson Correlation	.519**	.588**	.509**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	352	352	352	352

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

The table shows the results correlation analysis for investigated variables.

Source: Researcher’s Computation (2024)

Regression Analysis

The panel regression analysis in Table 4 examines the relationship between the dependent variable (Audit Compliance) and three key independent variables: Stakeholder Perception

(STP), Audit Scope Expectation (AUSE), and Audit Timing Expectation (AUTE). The constant term (C) was 0.153, which represents the expected value of audit compliance when all the independent variables (STP, AUSE, and AUTE) are held constant. This value indicates a baseline level of audit compliance that would exist in the absence of variations in the independent variables. The coefficient is statistically significant with a p-value of 0.001, showing that the baseline compliance is significantly different from zero.

The coefficient for stakeholder perception (STP) is 0.182, indicating a positive relationship between stakeholder perception and audit compliance. This means that as stakeholder perceptions of the audit process improve, audit compliance increases. The coefficient is highly significant ($p = 0.000$), suggesting strong evidence that stakeholder perceptions play a critical role in determining audit compliance. A one-unit increase in STP leads to a 0.182 increase in audit compliance, holding other factors constant.

The coefficient for audit scope expectation (AUSE) is 0.381, which was the highest among the independent variables. This indicated a strong and positive impact of audit scope on audit compliance. Specifically, as the breadth and depth of the audit scope meet or exceed stakeholder expectations, audit compliance improves significantly. The p-value of 0.000 confirms the significance of this relationship. A one-unit increase in AUSE leads to a 0.381 increase in audit compliance, demonstrating that audit scope is a major driver of compliance.

The coefficient for audit timing expectation (AUTE) was 0.249, which also showed a positive and significant relationship with audit compliance. This suggested that meeting expectations regarding the timeliness of audits significantly boosts audit compliance. The p-value of 0.000 underscores the importance of this variable. A one-unit increase in AUTE leads to a 0.249 increase in audit compliance, indicating that timely audits contribute to higher levels of compliance.

The R-squared value is 0.415, meaning that approximately 41.5% of the variance in audit compliance can be explained by the three independent variables (STP, AUSE, and AUTE). This suggests a moderately strong fit, indicating that the model captures a significant portion of the factors influencing audit compliance. The adjusted R-squared is 0.410, slightly lower than the R^2 value. This adjustment accounts for the number of predictors in the model and suggests that the independent variables collectively explain about 41.0% of the variability in audit compliance, providing a robust model fit. The F-statistic value of 82.260, with a probability of 0.000, confirms the overall statistical significance of the model. The very low p-value indicates that the model is highly significant, meaning that the independent variables (STP, AUSE, and AUTE) jointly have a significant impact on audit compliance. The likelihood that this result occurred by chance is negligible, providing strong evidence in favour of the model's validity.

The panel regression results indicate that all three independent variables-stakeholder perception, audit scope expectation, and audit timing expectation-positively and significantly influence audit compliance. Among these, audit scope expectation (AUSE) has the strongest impact, followed by audit timing expectation (AUTE) and stakeholder perception (STP). The positive coefficients for all variables suggest that when organizations meet or exceed stakeholder expectations regarding the audit process (in terms of perception, scope, and timing), their audit compliance improves substantially. The model explains about 41% of the variation in audit compliance, which was a strong result for social sciences research. The F-statistic further validates the model, showing that the independent variables together significantly influence audit compliance.

Table 4: Panel Regression Results

Variable	Model
C	0.153234
STP	0.182
AUSE	0. 381
AUTE	0. 249
R^2	0. 415
Adjusted R^2	0.410
F-statistic	82.260
Prob(F-stat)	0.000

Source: Researcher's computation (2024) * sig @ 5%, *( ) standard error { } p-values.
The table shows the regression analysis for the investigated variables.

Discussion of Findings

The regression results indicate a significant positive relationship between stakeholder perception (STP) and audit compliance in Nigeria, as demonstrated by a coefficient of 0.182 with a p-value of 0.000. This finding supports the hypothesis that stakeholder perception has a meaningful impact on audit compliance, leading to the rejection of the null hypothesis (H01), which posited that stakeholder perception has no significant effect on audit compliance in selected audit firms in Nigeria. The empirical studies reviewed further validate this finding. Akther and Xu (2020) emphasized that stakeholders' expectations regarding audit quality, particularly regarding the audit expectation gap, significantly impact stakeholders' confidence in audits. Similarly, the study by Joshua et al. (2021) highlighted how the disparity between stakeholders' expectations and the actual audit function influences audit compliance and the perceived value of the audit process. The results of the regression analysis, coupled with existing literature, suggest that improving stakeholders' perceptions of audit quality through transparent reporting and meeting expectations, such as through fraud detection and timely financial information, significantly boosts audit compliance in Nigeria. Stakeholders such as investors, creditors, and the general public rely heavily on the accuracy and reliability of financial reporting, and their perceptions are shaped by the audit's ability to fulfil these expectations.

Audit scope expectation (AUSE) was found to have the strongest effect on audit compliance, with a coefficient of 0.381 and a p-value of 0.000. This indicates a significant positive relationship between audit scope expectation and audit compliance in Nigerian audit firms, leading to the rejection of the second null hypothesis (H02). This result aligns with the findings of Wang et al. (2021), who examined the relationship between audit scope and environmental performance, highlighting that clearly defined audit scope expectations lead to better audit outcomes.

Similarly, the study by Minutti-Meza (2021) in China found that stakeholders expect a broader audit scope that addresses not only financial compliance but also environmental and social factors, thus improving the overall audit quality and compliance. In the Nigerian context, a well-defined and comprehensive audit scope is crucial for enhancing audit compliance. Stakeholders expect the audit process to cover more than just financial statements and to include aspects such as risk management, fraud detection, and regulatory compliance. By meeting these expectations, audit firms can ensure higher compliance levels and improved trust in the audit process.

Audit timing expectation (AUTE) also showed a significant positive relationship with audit compliance, with a coefficient of 0.249 and a p-value of 0.000. This suggests that the timing of audits plays a crucial role in audit compliance, and the hypothesis that audit timing expectation has no significant effect on audit compliance (H03) is rejected. The importance of timely audits was underscored in the literature. Abdillah et al. (2019) emphasized that timely audits are essential for ensuring the accuracy and relevance of financial reports, while Boateng (2021) found that delays in audit reporting often leads to non-compliance with regulatory requirements. The findings from the regression analysis confirm that timely audits, which meet stakeholder expectations, lead to higher levels of audit compliance. Audit firms must adhere to regulatory deadlines and ensure that their audit processes are efficient to avoid potential penalties or loss of credibility. Furthermore, the review of literature supports this finding by demonstrating that stakeholders, including regulatory bodies, investors, and management, demand timely audits to make informed decisions. Failure to meet these timing expectations could undermine the perceived value of the audit and reduce stakeholder trust in the process.

The broad objective of this study was to investigate the effect of stakeholders' expectations on audit compliance in Nigeria. Stakeholders' perceptions, audit scope expectations, and audit timing expectations all play a crucial role in determining the extent to which audit firms comply with regulatory and professional standards. The results demonstrate that when stakeholders hold positive perceptions of audit quality, expect a comprehensive audit scope, and anticipate timely audit reports, audit firms are more likely to meet compliance requirements. The literature supports the view that stakeholder engagement is essential in shaping audit practices and ensuring compliance. As seen in studies like those by Cosma et al. (2022) and Freudenreich et al. (2020), stakeholder expectations can be managed through transparent reporting, timely audits, and an expansive audit scope. By aligning the audit process with stakeholders' expectations, audit firms can improve compliance and maintain public confidence in the financial reporting process.

The Policeman Theory asserts that the role of auditors was to detect and report fraud, protecting the interests of stakeholders. This theory aligns with the study's findings, which showed that stakeholders expected auditors to play a central role in fraud detection, contributing to their perception of audit compliance. In practice, stakeholders believe auditors should act as "policemen," protecting their interests through rigorous audits that expose malpractices. However, the findings also reflect a mismatch between stakeholders' expectations and the statutory responsibilities of auditors, which often do not include comprehensive fraud detection. The study's emphasis on aligning audit scope and timing expectations with actual audit compliance supports the need for audit regulations to incorporate more specific responsibilities regarding fraud detection and other forms of misconduct. This realignment could help to bridge the gap between stakeholder expectations and audit practice, reinforcing the Policeman Theory's foundational premise.

CONCLUSION AND RECOMMENDATIONS

This study has examined the impact of stakeholder expectations, audit scope, and timing on audit compliance in Nigeria, offering valuable insights into the factors that influence the audit process. The findings revealed that stakeholder perceptions significantly shaped audit compliance, highlighting the importance of aligning audit practices with stakeholder expectations. The study revealed that unrealistic expectations from stakeholders, driven by low financial literacy, contributed to audit compliance challenges. Policies aimed at improving financial literacy among stakeholders, such as training programs for investors and corporate managers, could help them better understand the audit process and reduce expectations beyond the statutory roles of auditors. Timeliness in audit reporting was critical for compliance. This study showed that time budget pressure can lead to poor audit quality.

Furthermore, the study underscores that the scope and timing of audits played critical roles in achieving compliance, with overly narrow audit scopes or unrealistic time pressures potentially compromising the quality and reliability of audits. These findings emphasize the need for Nigerian audit firms, regulators, and corporate organizations to adopt policies and practices that address the audit expectation gap and promote transparency, accountability, and independence in the auditing process. Nigeria has policies that encourage periodic audit firm rotation to maintain auditor independence, as suggested by the Nigerian Code of Corporate Governance. The study supported this, showing that longer auditor tenures may negatively impacted audit compliance, reinforcing the necessity of such policies. The results aligned with Nigeria's commitment to IFRS, which promotes transparency and better quality in financial reporting.

Improved financial reporting practices, as driven by stakeholder perception, could enhance audit compliance, complementing existing IFRS-driven policies in Nigeria. Unlike many studies focusing on developed economies, this research provided empirical evidence from Nigeria, addressing stakeholder perception, audit scope, and timing as critical factors in audit compliance. It provided a nuanced understanding of how these variables interacted in a developing country context, contributing new insights into audit theory and practice. By identifying the significant effect of stakeholder perception and audit scope on compliance, the study adds to the body of literature on the audit expectation gap, emphasizing the practical implications for improving audit practices and reducing misunderstandings between auditors and stakeholders.

Based on the study's conclusions and findings, it is recommended that, policymakers should consider tightening audit regulations to align with stakeholder expectations, particularly in fraud detection, transparency, and independence of auditors. The Nigerian Financial Reporting Council (FRCN) and the Institute of Chartered Accountants of Nigeria (ICAN) should update standards that reduce the audit expectation gap by promoting enhanced disclosure practices, including the duties and limitations of auditors. Policymakers should promote the use of audit technology tools such as real-time data analytics and AI to enhance the timeliness and effectiveness of audits in Nigeria. A regulatory framework that encouraged technology adoption would improve compliance without sacrificing audit quality.

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