

**Don't Say a Word:  
Auditor and Management Disclosures**

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**Abstract:**

In this paper, we analyze the effects of auditor risk disclosure on manager voluntary disclosure, audit effort, and investment efficiency. We show that auditor disclosure may make managers more or less likely to voluntarily disclose, depending on the level of business risk. These two forms of disclosure jointly influence audit effort and investment efficiency. We find that auditor risk disclosure can reduce audit effort through endogenous manager's information acquisition and disclosure decisions. We also demonstrate that the impact of auditor disclosure on investment efficiency varies with business risk and can be neutral, positive, or negative. Our study advances the understanding of the dynamics between auditor and manager disclosures and highlights their collective impact on audit effort and investment efficiency.

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