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Moderating Role of Audit Committee's Legal Expertise on Risk Management and Financial Reporting Quality

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ABSTRACT: This study aims at examining the moderating role of audit committee's legal expertise on risk management and financial reporting quality. An ex-post facto research design was adopted and data collected from secondary sources were analysed through a structural equation modelling approach with the aid of a partial least square technique. The results revealed that the quality of financial reporting is greatly impacted by risk management. Additional, the study revealed that the quality of financial reporting is influenced by the audit committee's legal expertise. Furthermore, the study revealed that the legal knowledge of the audit committee acts as a moderating factor, strengthening the connections between risk management and financial reporting quality. The study concludes that members of audit committees with legal expertise are more likely to exercise caution while engaging in business activities that could have legal repercussions. The likelihood that the banks may incur legal obligations is also associated with the quality of the financial reporting. The study therefore, recommends that in order to ensure investor confidence in the quality of financial reporting, regulators should keep an eye on the requirement for legal knowledge on audit committees. Professional organizations should see to it that legislation is written to safeguard investors' interests.
KEYWORDS: Default risk, litigation risk, Risk of investor distrust, Risk Management, Financial reporting quality, Moderation

INTRODUCTION

Background to the Study

Improved financial reports help organizations eliminate information inconsistencies (Chen et al., 2011). However, several circumstances, according to the agency theory, tend to diminish a manager's ability to gather relevant information for improved management activity supervision (Gomariz & Balesta, 2014). This research to investigate the determinants of financial reporting quality is based on an accounting case that occurred in Indonesia in the recent decade. The general goal of financial reports, according to Ahmed (2007) and Mendes et al. (2012) is to offer information about the fiscal budget, performance, and cash flow. Financial reporting quality is considered as an imperative concept in both developed and emerging capital markets (Mensah & Deajeon, 2013). The range of financial reporting quality is enormous and it can be vary from the level of earnings management to value relevance of the financial reports (Kim & Yang, 2014). Organizations who disclose more information have opportunity to obtain some benefits such as lower capital costs, gain investor confidence, and improve marketability of their shares and the quality of the financial report is vital for the users of financial statements in order to make informed decisions on the valuation and investment (Echobu, Okika & Mailafia, 2017). Further financial reporting quality is a device which reduces the information gap in between insiders and the stakeholders. Furthermore, if management give quality financial reports, then they will be able to enhance the credibility of their reporting among stakeholders. As a result of the importance attached to quality of financial report, researchers, national accounting bodies and all other stakeholders began to turn attention to financial reports provided by corporate bodies within last few decades (Enakirerhi, Ibanichuka & Ofurum, 2020).

Financial reporting quality, according to Krishnan (2011), is one of the most critical contributors to a company's information. Its primary goal is to provide valuable information to aid in decision-making. Companies, on the other hand, tend to use a variety of accounting standards to prepare their financial statements (Choi & Pae, 2011). According to Chen et al. (2011), high-quality accounting data is a valuable tool for addressing information asymmetry.

The need for producing quality financial report has become a global phenomenon. The global financial crises of the 1930s and the recent one in 2008 necessitated the demand for unbiased financial reporting, with the accounting figures not just free of error, but also a true reflection of an organization's activities for the period being reported. Shehu (2013) observe that due to the financial crises, accounting earnings reported by corporations may be far from being relevant, reliable and effective (Olowokure, Tanko & Nyor, 2016). Regulators and other stakeholders place a very high premium on the veracity of financial report. The truthfulness of the report depends on the reliability of reported earnings (Klai & Omri, 2011). A major managerial function is decision making. Management takes decision on the appropriate accounting policies that underlies the preparation of financial reports. Appropriate measures and values are given to items that make up the financial statements. Management could be subjective in the way it recognizes, measure and allocate values to certain items of expenditure and revenues in the financial report.

Kwambo (2020) observes that investors give more attention to earnings in the financial reports more than other accounting information; therefore, management becomes prone to influencing accounting earnings in order to meet investors' expectations. According to Shehu (2013) due to income smoothening activities, management can manipulate certain items in the financials to achieve a desired result. Manipulation of earnings impairs on the quality of financial reports and diminishes investors' confidence (Bansal & Sharma, 2016). Earnings management is a fundamental aspect of financial reporting quality. How earnings are recognized and measured is essential to the quality of financial reporting. Corporations, through their managers are duty bound to report business activities for the benefit of shareholders, potential investors, regulators/policy makers, suppliers of finance and other stakeholders. This is usually done through the production of annual reports covering their economic, financial, environmental and social activities. These reports are expected to be high quality information, portraying a true and fair view of transactions. However, the practice of earnings management laws this process of producing quality financial reports and questions the credibility of the quality of reported earnings, (Ashafoke, Dabor & Ilaboya, 2021).

It is expected that the influx of investors into Nigeria will increase, hence the need to study the listed firms financial reporting quality, as investors depend on financial reports to make decisions (Nyor, 2013). The choice of studying Nigerian firms is predicated on the credence that the Nigerian economy have great potential for growth. On this basis, it is therefore important and equally necessary to identify the determinants of quality financial reporting amongst Nigerian firms. This paper therefore seeks to investigate the determinants of financial reporting quality with a bias for listed firms in Nigeria.

Statement of the problem

In practice, the firms' management determines what information that should be disclosed which is sometimes merely a standardized text that lacks a sufficient background or context. This invalidity of financial information has misled investors which in turn has led to wrong and harmful investment decision. One of such cases is that of the Eron Corporation. In Cameroon the issue of inadequate financial disclosure has led to collapse of firms on the Nigerian stock exchange especially the case of listed firms. Many accounting scandals and financial crises happened lately in numerous distinguished firms have undermined investors' trust concerning the financial reports and have introduced several criticisms about financial reporting quality. It has commonly been recognized that the key frustration give rise to these financial crises arisen instantly from the dearth of quality financial disclosure and insufficient governance practices.

Thus, the extensive failure in the financial disclosure has generated the demand by investors, regulators, and other stakeholders to enhance the financial information quality and to reinforce the control of managers by putting up adequate governance structures. This will allow investors to assess banks' effectiveness and to take timely correctional actions in making investment decisions. Consequently, the demand and need for sufficient transparency and high quality financial reporting, that is the truthfulness of the information disclosed by the financial reporting process is indispensable. Hence, quality of financial reporting, especially over the latest decade, has been of considerable concern to accounting researchers; however, one of the key problems is how to measure the determinants of financial reporting quality of firms. A high-quality financial report is critical for a company's success. As a result of the growth of information asymmetry, variations in managerial reports cause conflict between managers and shareholders. This also leads to mistakes, which leads to litigation, which is one of the external issues that make it difficult for managers to carry out their responsibilities. Litigation develops when existing legal and regulatory processes do not include accounting practices, as well as when operational management does not provide clear information.

The dearth of research in this area is even more evident in the measurement approach. Therefore, this paper aims to investigate the moderating role of audit committee's legal expertise on the relationship between risk management and financial reporting quality of commercial banks in Cameroon.

Objectives of the study

The main objective of the study is to examine the moderating role of audit committee's legal expertise on the relationship between risk management and financial reporting quality of commercial banks in Cameroon.

The specific objectives include to:

1) Ascertain the effect of risk management (litigation risk, risk of investor distrust, default risk) on financial reporting quality.
2) Determine the effect of audit committee's legal expertise on financial reporting quality.

3) Find out how the existence of the audit committee's legal expertise strengthens the relationship between litigation risk, risk of investor distrust, default risk, and financial reporting quality.

Research Questions

The following research questions are set to be answered during the study;

1) What is the effect of risk management (litigation risk, risk of investor distrust, default risk) on financial reporting quality?
2) What is the effect of audit committee's legal expertise on financial reporting quality?
3) How does audit committee's legal expertise moderate the relationship between risk management (litigation risk, risk of investor distrust, default risk) and financial reporting quality?

Research Hypotheses

The following research hypotheses are set to be tested during the course of the study;

1) Risk management (litigation risk, risk of investor distrust, default risk) significantly affects financial reporting quality.
2) Audit committee's legal expertise significantly affects financial reporting quality.
3) Audit committee's legal expertise moderates significantly the relationship between risk management (litigation risk, risk of investor distrust, default risk) and financial reporting quality.

LITERATURE REVIEW

The quality of financial reporting is determined by the state of the business and is impacted by the funders' accounting knowledge. In compliance with the company's legal requirements, excellent financial reporting quality lowers information asymmetry between the principal and agent (Landsman et al. 2012). The audit trustees of the legal committee take prompt action to address any errors made throughout the reporting process in order to prevent future issues for the company. The audit committees have the same professional skills as corporate lawyers and frequently work well with them to resolve issues with legal repercussions. Producing accurate financial reports raises the bar for workers who prepare financial statements, claim Akgun et al. (2017). The employee taking part in the activity must comprehend how accounting is conducted in accordance with corporate policies. In order to avoid this situation and serve as a tool for evaluating the company's future fiscal strategies, accurate financial statements are essential. The real earnings model was used in this study to assess the financial statements' level of quality (Asti, 2014).

According to Soheilyfar, Tamimi, Ahmadi, and Takhtaei (2014), financial reporting quality is a report that is presented based on the state of the company and declines as a result of the funder's understanding of accounting. In compliance with the company's legal duties, excellent financial reporting quality lowers information asymmetry between the principal and agent (Sanni, Ijasini & Adamu, 2018). The corporate governance structure set up corrects any errors that arise throughout the reporting process right away to prevent causing issues for the organization. When financial reporting issues arise that have an impact on the firm's disclosure content, the audit committee is typically in charge of making the necessary modifications and has a history of working well with managers (Santoso & Fuâ, 2014). According to McNichols (2002), generating accurate financial reports raises the bar for workers who prepare financial statements. According to the established guidelines and standards imposed by the organization, the person involved in the activity must comprehend how the accounting process and practice are carried out (Mahboub, 2017). Ivanova and Bikeeva (2016) contend that accurate financial statements shield a business from situations where stated returns on investments are lower than actual returns and that would have a negative impact on the company's future investment choices.

International Accounting Standard Board (IASB), as stated in Daferighe and George (2020), claims that the quality of financial reporting defines and enhances fundamental qualitative traits. The relevance and faithful depiction of the information in the financial statements are described by the IASB as fundamental qualitative qualities. As the primary features of financial reporting quality, it defines enhancing qualitative aspects as comparability, verifiability, timeliness, and understandability of financial statements (Custódio & Metzger, 2014). Financial and non-financial information that is helpful for decision-making is referred to as financial reporting quality (Asegdew, 2016).

The practice of formally disclosing a company's financial activity is known as financial reporting. For any market player, it has long been seen as a necessary resource. All involved parties, including managers, investors, regulatory bodies, society, and other stakeholders, are less mystified and have fewer disagreements over the matter. Everyone involved in this process should participate, and every action linked to it should be submitted carefully, particularly the disclosure process, all transactions, accounting principles, and all conclusions and recommendations provided by the staff members (Alqatamin, Aribi, & Arun, 2017). The quality of financial reporting and its effects on the following determinants are topics covered in great detail in the literature and earlier studies. For instance, Hassan and Bello (2013), Ali and Zhang (2015), and Al-Dmour (2018) find that corporate governance and earnings management are factors that affect how well a company reports its financial data..

Because the quality of the financial report ensures and forces the company to provide accurate and up-to-date information, there is less mystery and conflict in the information provided for both shareholders and stakeholders as well as other market participants interested in this report (Hambrick & Mason, 1984; Kalyta, 2009). Not simply for the creation of trustworthy financial reports, but also for the success of the company as a whole, organizational information systems' data integrity and reliability are crucial (Krishnan & Parson, 2008). According to Martin, Nishikawa, and Williams (2009), access to pertinent information, use of that information to improve management standards, and confidence that the information is correct, relevant, and secure are all crucial components of efficient financial management. Accordingly, the goal of the regulators should be to create an accounting system that offers the greatest benefits at the lowest possible costs (Zhang & Wiersema, 2009). Accounting information systems maintain and produce financial statements that contain information about accounts and their balances used by organizations to plan, evaluate, and diagnose operations and financial position (Sepasi, Deilami & Tavakoli, 2017).

According to Valipour and Moradbeygi (2011), there are additional advantages to having high-quality information from financial reporting that can help investors make decisions. They made it clear that the reduction of information risk and liquidity is guaranteed by information of a high caliber. According to other viewpoints cited in Michailesco (1999), financial reporting quality constrains managers' ability to act in their own interests and directs them to make wise investment choices. The lack of equivalence and asymmetric knowledge that result from competing agencies are lessened by high-quality financial reporting (Muinde, 2013). Additionally, by removing the uncertainty around specific events, it aids market agents in fully comprehending all corporate operations and activities (Peni & Vähämaa, 2010).

According to Osamudiame, Nwadialor, and Imuentinyan (2018), the accuracy of accounting information has a significant impact on how market participants perceive distribution and make decisions on the company's future cash flow. On the other hand, Ogungbade, Adekoya, and Olugbodi (2021) discover that having high-quality financial reporting has benefits for both banks and the government because it improves the investment effectiveness and financial performance of private firms, which in turn boosts tax payments and bank lending. According to Rasha (2017), the credibility of financial reporting quality is derived from its contribution to the reduction of information risk and the improvement of liquidity. However, Kythreotis (2014) emphasizes that accurate financial reporting gives customer's access to information and financial statements, both of which are essential for debt contracting. Kamolsakulchai (2015) noted that there are numerous indicators of financial reporting quality that consumers can rely on to assess the caliber of financial data and the financial statements as a whole, rather than merely looking at earnings. Because of this, experts from throughout the world have proposed a variety of variables of financial reporting quality.

The conceptual model is presented in figure 2.1.

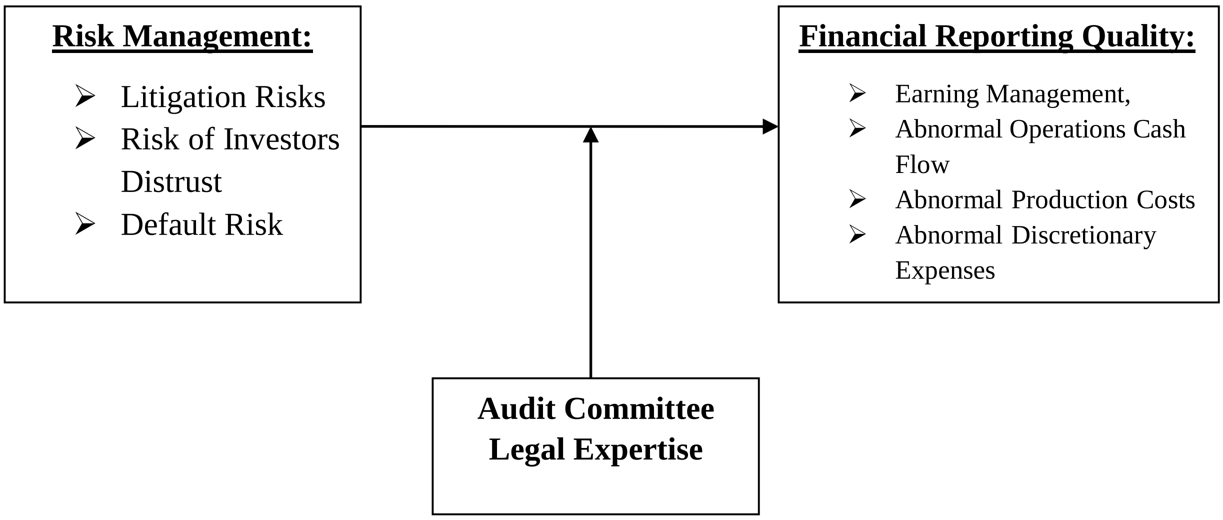

Figure 2.1: Conceptual Model

THEORETICAL REVIEW

The Signaling Theory

This theory refers to the idea that the agents send information to the principal in order to create credible relationship. Managers have more first-hand information about the firm than firm's investors do but they are always reluctant to provide transparent information to the shareholders. So, the financial characteristics of a firm can be used for information purpose and it also act as a

signal for the firm's future projection proficiently. Information signaling model developed by Merton, Miller and Rock (1985) suggest that financial data convey information to individual and institutional investors regarding the firm's future prospects. Indeed when a company listed on the Stock Exchange makes pronouncement about its trading in regards to it's financial performance, the expectations of the public especially speculators tend to rise.
This theory refers to the idea that the agents send information to the principal in order to create credible relationship. Managers have more first-hand information about the firm than firm's investors do but they are always reluctant to provide transparent information to the shareholders. So, firms' financial characteristics of a firm can be used for information purpose and it also act as a signal for the firm's future projection proficiently.

EMPIRICAL REVIEW

Litigation risk on financial reporting quality

Litigation occurs because accounting practices carried out by the company are not performed by the existing legal and regulatory provisions. It also arises as a result of hidden negative information with a potential legal risk embedded to mislead the consumers. Management cover or hide such information from interested parties it also strives to produce reports that make these parties continues to believe and be interested in the company. The management revised reports to make it appear useful to the stakeholders for the continuous injection of funds into the company. However, this worsens the report worse because the information displayed does not show the actual situation; rather it appears to be manipulated. Reports need to be in perfect condition, which is the basis of decision making, for the company to continue acquiring capitals for its operations. When the information reported appears to be too real, the management becomes concerned that the parties might not be interested in the company and does not inject funds, which leads to failure in the operation of the establishment. Management as a company agent certainly does not want this to happen, especially when the compensation given is assessed based on the results of its performance. It strives for the company to continue operation and generate profits that serve as returns for the principal (Tapang et al., 2022). Laux and Stocken (2011) also stated that the greater the expected legal penalties faced by companies, the more the management tends to be aware of their reports.
Litigation is the process whereby an individual or entity brings a dispute or case to the court for settlement of claims or replacement of damages (Juanda, 2006, Chen, 2009, Dechow, 2010, and Laux et al., 2011). Lawsuits and litigation tend to arise when the financial statements do not correspond to the actual conditions of the company, which is detrimental to the parties concerned. Litigation risk is higher once there is a decline in the quality of financial reporting (Juanda, 2006). Laux and Stocken (2011) also mentioned that the greater the expected legal penalties faced by companies, the more the management prevents it from reporting, and leading to increased misreporting. Therefore, from the above ideas, it is deduced that high litigation risk of a company results in poor financial reporting quality. Jackson et al. (2015), Cao et al. (2011), and Boone et al. (2011) established that it significantly influence financial reporting quality and help companies' objectives to be achieved by supervising the activities that caused the low-quality financial reporting.

Risk of investor distrust on financial reporting quality

The official protection of external investors is identified as a critical determinant in the development of financial markets, capital/ownership structure, and dividend policy (Anggraeni, 2010). Stocks purchased by investors, their rights are protected by laws and regulations. This tends to be weak in accordance with uncertain conditions and investor distrust. Therefore, the high risk of investor distrust leads to poor quality financial statements. Hodge (2013); Anggraini et al., (2010); Cahan et al., (2008); Ahmed et al.,(2007) stated that investor distrust affects the financial reporting quality which occurs when certain authorities, inhibit information without clarity from regulators. Companies tend to experience declines in financial reporting quality, therefore, the essence of investor protection is to encourage shareholders to invest in the capital market with promising positions, especially in terms of obtaining access to information on the market situation (Knechel & Salterio (2016).

Default risk on financial reporting quality

This research refers to prior studies conducted by Mehdi et al. (2010), Zamri et al. (2013), and Veliandina (2013), which measured the amount of default risk (the risk of company failure) by the level of leverage a company posses. Financial leverage is calculated by the ratio of debt to the total capital of the company. The results from previous studies show that the default risk negatively affects the quality of financial statements. The default risk on the amount of debt owed by a company greatly affects its performance. Therefore, when the default risk is high, the quality of the company's financial statement that was captured by investors decreases, while the management tends to utilize its earnings.

Relationship between risk management and financial reporting quality with audit committee legal expertise

Audit committees with legal backgrounds make other members be more careful on the increased risk of litigation, which reduces the reporting quality. Legal expertise of audit committees reduces litigation risk by providing warnings and corrective measures that tend to result in legal problems. According to Krishnan et al. (2011), in recent years, there has been a significant increase in the number of legal experts appointed as company boards. Krishnan et al. conducted a study in 2011 concerning the relationship between audit committee legal expertise and financial reporting quality and discovered that the audit committee with a legal background made a positive contribution to the quality of the company's financial reporting. It has been observed that the number of legal experts appointed as the board of companies has increased in recent years, especially after the issuance of the Sarbanes Oxley Act 2002. The existence of an audit committee legal expert helps to oversee the financial reporting process and ensures that management functions effectively in order to avoid litigation threats.

The litigation, investor distrust, and default risks are expected to strengthen its relationship with the financial reporting quality by an audit committee with a law background. The research conducted by Suaryana (2005), Krishnan (2011), Laux et al. (2011), and Hodge (2013) stated that the audit committee with competent legal knowledge are wary of risk possibilities that degrades the quality of reports. Litigation risk, and investor distrust, leads to low quality report. The existence of legal experts on the audit committee reduces the effect of litigation risk on the quality of corporate financial reporting.

RESEARCH METHODS

A research design known as ex-post facto was used in this study. Ex-post facto is a methodical empirical investigation in which the scientist has no direct control over the independent variables because they cannot be artificially changed. A cross-sectional sample of ten listed banks annual reports for 10 years, ranging from 2013 to 2022 were subjected to a content analysis. Each yearly report underwent a thorough examination and evaluation. All nineteen (19) commercial banks in Cameroon made up the population. The top ten (10) commercial banks made up the sample size in order to benefit from an in-depth analysis and thorough coverage (See Table 1). The decision was made in light of the requirement that banks start operations in 2013. The annual audited reports served as the secondary source of data.

Table 1: List of banks in Cameroon

	POPULATION
1	Access Bank Cameroon
2	Afriland First Bank
3	Atlantic Bank Cameroon
4	Banque International du Cameroun pour l'Epargne et le Crédit (BICEC)
5	Banque Camerounaise des Petites et Moyennes Entreprises (BC-PME SA)
6	BGFI Bank Cameroon
7	SCB Cameroun
8	Crédit Communautaire d'Afrique Bank (CCA Bank)
9	Citibank
10	Commercial Bank of Cameroon
11	Ecobank Cameroon - Acquired Oceanic Bank Cameroon
12	National Financial Credit Bank (NFCB)
13	Société Commerciale de Banque du Cameroun - (Formerly SCB Credit Agricole)
14	Wineex Bank Cameroon (WBC)
15	Societe Generale des Banques au Cameroun (SGBC)
16	Standard Chartered Bank
17	Union Bank of Cameroon (UBC)
18	United Bank for Africa (UBA)
19	Attijari Securities Central Africa (ASCA)

	SAMPLE
1	Afriland First Bank
2	Societe Generale des Banques au Cameroun (SGBC)
3	Banque International du Cameroun pour l'Epargne et le Crédit (BICEC)
4	SCB Cameroun
5	Commercial Bank of Cameroon
6	United Bank for Africa (UBA)
7	Ecobank Cameroon - Acquired Oceanic Bank Cameroon
8	Citibank
9	Atlantic Bank Cameroon
10	Union Bank of Cameroon (UBC)

Validity and Reliability of the Instruments

The study employed Composite Reliability (CR) and Cronbach's Alpha to assess the constructs' reliability. The threshold value of 0.70 was used to compare all composite reliabilities (Wasko & Faraj, 2005). Each construct whose Cronbach's Alpha exceeded the benchmark of 0.70 was chosen (Sekaran & Bougie, 2013). If the Average Variance Extracted (AVE) is greater than the advised 0.50, convergent validity is considered satisfactory. The Fornell Larcker Criterion was also used to evaluate the discriminant validity of the test. The Heterotrait-Monotrait (HTMT) ratio (Henseler et al., 2015) was used to further evaluate the discriminant validity, and values were compared to the benchmark of 0.90.

Table 2: Reliability and Validity Test

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
ACLE	0.862	0.906	0.667
RM	0.929	0.938	0.509
FRQ	0.756	0.84	0.528

Table 3: Discriminant Validity - Fornell Larcker Criterion

	ACLE	RM	FRQ
ACLE	0.817		
RM	0.585	0.714	
FRQ	0.362	0.431	0.727

Table 4: Discriminant Validity - Heterotriat Monotriat Ratio (HTMT)

	ACLE	RM	FRQ
ACLE			
RM	0.658		
FRQ	0.415	0.466	

Model specification

In this work, structural equation modeling (SEM) was used. Both the measurement model and the structural model were acquired by the SEM. The SEM is described as follows:

$$\mathbf{FRQ} = B_0 + B_1\mathbf{RM\ (LR, RID, DR)} + u \text{ -- } \mathbf{(1)}$$

$$\mathbf{FRQ} = B_0 + B_1\mathbf{ACLE} + e_i \text{ -- } \mathbf{(2)}$$

$$\mathbf{FRQ} = B_0 + B_1\mathbf{RM} + B_2\mathbf{ACLE} + B_3\mathbf{RM{*}ACLE} + e_i \text{ ---------------------------- } \mathbf{(3)}$$

Table 5: Operationalisation of variables

VARIABLE		CODE	PROXY	MEASUREMENT
Independent variable	Risk Management	RM	Litigation Risk (LR)	Stock Returns, Turnover Volume of Stock
			Risk of Investor Distrust (RID)	Investor Protection Index
			Default Risk (DR)	Financial leverage ratio, which compares the total debt to the total assets of the company
Dependent variable	Financial reporting Quality	FRQ	Earning Management, Abnormal Operations Cash Flow, Abnormal Production Costs, And Abnormal Discretionary Expenses	
Moderating variable	Audit Committee Legal Expertise	ACLE	Proportion, which is the number of its lawyers divided by the total number of the audit committees	

RESULTS AND DISCUSSION

Table 6: Collinearity Statistics (Inner VIF Values)

	ACLE	RM	PERF
ACLE			2.25
RM			2.25
FRQ			

In Table 6, it is suggested that the presence of a vector inflation factor (VIF) greater than 3.3 is a sign of pathological collinearity and that the model may be tainted by common method bias (CMB). As a result, the model can be said to be free of CMB if all (factor-level) VIFs obtained from a comprehensive collinearity test are equal to or lower than 3.3 (Kock, 2015). Table 6 showed that, based on the information provided above, there is no evidence of common method bias in the model because all of the values are below 3.3.

Table 7: Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
H1: RM → FRQ	0.059	0.100	0.012	4.917	0.000
H2: ACLE → FRQ	0.161	0.166	0.074	2.159	0.031
H3: ACLE*RM → FRQ	0.318	0.301	0.087	3.638	0.000

The findings of H1 demonstrated that the quality of financial reporting is greatly impacted by risk management. This finding is consistent with the works of Jackson et al. (2015), Cao et al. (2011), and Boone et al. (2011) who established that it has a significant impact on financial reporting quality and aids in the accomplishment of business goals by monitoring the activities that result in poor financial reporting. In addition, Hodge (2013), Anggraini et al. (2010), Cahan et al. (2008), and Ahmed et al. (2007) support the idea. Furthermore supported by the findings of Mehdi et al. (2010), Zamri et al. (2013), and Veliandina (2013). The outcome of H2 demonstrated that the quality of financial reporting is influenced by the audit committee's legal expertise. The findings of this study are consistent with those of Jeffrey et al.'s (2014) study, which found that members of the audit committee who are familiar with legal issues should advise management to avoid taking actions that could lower the quality of financial statements when performing their duties. This result supports the conclusions made by Krishnan et al. (2011). To prevent decline brought on by the audit committee, the board of directors' decision-making must be impartial.

The H3 results also demonstrated that the legal knowledge of the audit committee acts as a moderating factor, strengthening the connections between risk management and financial reporting quality. The findings of Krishnan et al. (2011) are supported by this result. The presence of an audit committee within a corporation allows management performance oversight and reliable reporting information. The competence of the company's audit committee is one aspect that influences how well corporate audit committees perform. The audit committee makes the management aware of the potential for this requirement by providing a legal context. The audit committee's legal counsel determines that it is imperative to take quick action to avoid legal issues that could harm the company's reputation when an error is discovered during the reporting process. In order to resolve issues with legal significance, the audit committees work with company attorneys more effectively and share the same professional skills as corporate lawyers. This is consistent with study by Krishnan et al. (2011) that found a link between the legal expertise of the audit committee and the caliber of financial reporting. The company's financial reporting is less affected by risk mitigation because it has an audit committee comprising legal expertise.

CONCLUSION AND RECOMMENDATIONS

The study comes to the conclusion that members of audit committees with legal expertise are more likely to exercise caution while engaging in business activities that could have legal repercussions. The likelihood that the bank may incur legal obligations is also correlated with the quality of the financial reporting. The study therefore, recommends the following.

1) In order to ensure investor confidence in the caliber of financial reporting, Cameroonian regulators should keep an eye on the requirement for legal knowledge on audit committees.
2) Cameroonian regulatory bodies should make sure that investors have faith in and confidence in the quality of the financial reporting.
3) Cameroonian professional organizations ought to see to it that legislation is written to safeguard investors' interests.

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