



The Impact of Legal Auditors on Financial Reports Quality in Jordanian Companies

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ABSTRACT

The purpose of this study is to look into the impact of legal auditors (LA) on financial report quality (FRQ) in Jordanian companies. Therefore, the study population is the statutory auditors, and the sample size was 219 to be a representative sample. To select the sample, a simple, purposeful random sample was used to select their emails from the list received from the association above. Furthermore, 326 questionnaires were distributed through the online survey; contact information was obtained through the Jordanian Association of Certified Public Accountants. As a result, 229 responses were received, 92 questionnaires were excluded due to outliers, and thus the study sample included 137 LAs. The hypothesis testing results reveal that all examined constructs' commitment to professional standards, independence and integrity, LA, legal and accounting knowledge, and responsibility and ethics have significant positive effects on the quality of financial reports. Among these, the LA construct has the most substantial impact, followed by legal and accounting knowledge, highlighting the crucial roles these factors play in ensuring high-quality financial reporting in Jordanian companies. These findings highlight the importance of maintaining high standards of professionalism, understanding, independence, integrity, and moral behavior among LAs to enhance FRQ.

Keywords: Legal Auditors, Independence and Integrity, Responsibility of Ethics, Financial Reports Quality

JEL Classifications: M4, M42, H83, P34

1. INTRODUCTION

Legal auditors (LAs), play an essential role in ensuring the integrity of financial reports quality (FRQ), their independent evaluations allow organizations to maintain clarity, and correctness, and support regulatory standards (Al-Barashdi et al., 2023; Tepalagul and Lin, 2015). Also, the link between LAs and FRQ is essential for building trust among investors, controllers, and other stakeholders (Qawqzeh et al., 2020). As a result, LAs increase financial clarity by simply reviewing a company's financial accounts (Alazzam et al., 2023). Their audits ensure that all financial transactions are properly recorded and reported, this phase of inspection is required to equip stakeholders with a clear and objective view of

the company's financial health (Idor et al., 2020). Auditors also check that financial reports (FR) are compliant with worldwide accounting measures and local rules (Tubishat et al., 2024). Companies in Jordan, for example, must follow international financial reporting standards (IFRS), and LAs ensure compliance, enhancing general FRQ (Al Zobi and Jarah, 2023). Furthermore, one of the primary duties of LAs is to identify and correct financial misstatements; their independent reviews are designed to detect errors or fraudulent actions, thereby preserving the integrity of FRs and reducing the risk of financial restatements (Alshuwaiee and Alshammari, 2023; Mwangi, 2018). As a result, the involvement of LAs increases investor trust; audited financial statements are sensed as more reliable, ensuring investors of the accuracy and

entirety of the financial information presented; this trust is critical for attracting and retaining buy (Krishnan et al., 2011).

Therefore, technologies enable auditors to perform more complete and efficient audits, ultimately enhancing the quality and trustworthiness of FR (Sarwoko and Agoes, 2014). Similarly, auditor independence is important to their work; auditors with aligned interests can deliver an unbiased review of financial statements, which is important to maintaining the credibility of the audit process (Shakhatreh et al., 2023). In addition, technical advances such as data analytics are transforming the effects of the audit company (Chukwu et al., 2019). As a result, LAs have a substantial impact on the FRQ by leading independent assessments that ensure standard compliance, reduce financial misstatements, and enhance openness and investor trust (Pucheta-Martínez and García-Meca, 2014). Therefore, their role is essential for maintaining the goodness and reliability of FR in companies (Alhababsah and Yekini, 2021). Also, LAs play a vital role in mitigating agency problems by acting as an independent review on management, this reduces the risk of administration presenting biased or misleading financial information to benefit themselves at the cost of shareholders (Labelle et al., 2010). Also, LAs help address information asymmetry between a company's administration and its stakeholders, by providing an independent and objective assessment of the financial statements, auditors ensure that all stakeholders have access to the same high-quality financial information (Yusran, 2023; Al-zubi, 2024).

Therefore, the regulatory framework in Jordan requires that all publicly documented companies must have their financial statements audited by legally acknowledged auditors. This requirement is planned to enhance the credibility of FR and provide compliance with international accounting norms. One of the most important impacts of LAs on FRQ is the enhancement of financial clarity. By precisely examining the financial records and assuring adherence to accounting measures, auditors help to prevent dishonest activities and misrepresentation of financial data. Early diagnosis of problems allows businesses to address them proactively, reducing the likelihood of financial trouble and increasing the firm's overall financial stability. Therefore, LAs help discover possible financial problems and discrepancies in financial data through their auditing techniques.

2. LITERATURE REVIEW

Auditing, the systematic reviewing of the financial records and compliance, is done. Legal auditing, therefore, involves the scrutiny of these aspects, which ensures that legal and regulatory provisions are followed (Bader, 2024; Ebrim et al., 2024). As the audit of the LA is particular to the increasing governance of companies, defining the LA would be the first step to laying a foundation for a clearer picture of his role (Chouaibi and Hichri, 2021). The LA is an auditor who carries legal liability associated with audit quality because the auditor's actions or inactions lead to financial losses to investors and other stakeholders as the result of intentional misstatement in FRQ (He et al., 2017). This interpretation is anchored in the context of a situation when auditors' behavior changes due to the reorganization of the organization that affects

their legal liability (Shakhatreh et al., 2022). Also, the presence of LAs is a key part of robust corporate governance, by providing an independent confirmation of financial statements, auditors assist ensure that management is responsible to shareholders and other stakeholders, thereby improving governance practices (Jarrah et al., 2023). Therefore, companies that always produce high-quality, audited FR often want a better market perception (Alawaqleh and Almasria, 2021). Overcoming these challenges is important for maintaining the high quality of financial audits. Case studies from various regions, including Jordan, show the positive impact of legal audits on FRQ (ALbawwat et al., 2021). For example, companies with robust audit practices have reported fewer instances of financial restatements and higher levels of investor trust, where the audit committees play a crucial role in supporting the work of LAs, these boards provide oversight and ensure that auditors have the space and resources required to perform their duties effectively, thereby enhancing the quality of financial reporting (Jarrah et al., 2022; Saleh, 2024). Additionally, a cheaper cost of funding and easier access to the financial markets both essential for the expansion and stability of a company can result from this favorable view (Al-Zaqeba et al., 2023). LAs deal with several difficulties while playing a vital function, such as the administration's pressure, complex financial instruments, and growing regulatory requirements (Jarrah et al., 2024).

Similarly, the literature also points to the importance of audit quality typically determined by the size of the auditor on the reliability of FRQ (Ababneh et al., 2024). This has a cascading effect on the cost of equity and obligation capital for companies (Mansi et al., 2004). The need for high-quality audits to enhance the reliability of FR is paramount as it plays a major role in reducing information asymmetry and agency costs (Springborg, 2024). Other than institutionalizing audit quality tools within corporate governance frameworks to curb threats related to financial misreporting, it also supports the credibility of financial statements that are crucial for stakeholders (Al-Zaqeba et al., 2022). This includes investors and controllers demonstrating that LAs play a critical role in establishing strong governance structures within companies particularly where there are weaker legal requirements (Almatarneh et al., 2024).

According to Alawaqleh and Almasria (2021) found that audit committee performance and composition had an impact on financial reporting quality. Pucheta-Martínez and García-Meca (2014) found that institutional directors are effective monitors, leading to better financial reporting. Furthermore, ALbawwat et al., (2021) demonstrate that auditor personality characteristics have an indirect impact on financial reporting quality through the performance of the internal audit function. Jarrah et al. (2022) demonstrated that internal audit independence, objectivity, verifiability, professional care, and impartiality can help reduce the consequences of creative accounting on the trustworthiness of Jordanian financial statements. DeZoort and Salterio, (2001) found that more independent director experience and audit competence were related with higher audit committee member support for an auditor. According to Al Zobi and Jarrah, (2023), internal auditing is positively related to accounting information systems. Furthermore, the findings show that Organisational

Commitment partially mediates the association between Internal Auditing and Accounting Information Systems in Jordanian banks. Consequently, the following hypothesis was developed:

H₁: LAs positively and significantly impact FRQ in Jordanian companies.

2.1. Legal and Accounting Knowledge among LAs and its Impact on Developing Financial Reports Quality in Companies

LAs must understand the legal framework that controls FRQ to ensure that companies follow all applicable laws and rules, such as corporate governance standards, tax laws, and securities laws (Alazzam et al., 2024). Furthermore, adhering to these policies is critical for maintaining the accuracy and reliability of FR. It is also essential that auditors have a thorough understanding of accounting concepts and standards, such as IFRS (Nurunnabi, 2017). In addition, the ability of auditors enables them to identify and address differences in financial accounts, ensuring an accurate and impartial account of the organization's fiscal status (Mediawati, 2023). LAs' combined legal and accounting experience increases financial clarity by ensuring that financial statements are legally correct and correctly reflect the company's financial situation (Al-Taani et al., 2024). Auditors also help to improve the precision and reliability of FRQ, which is important for stakeholders including investors, creditors, and controllers. This ability is especially useful in challenging financial situations when a clear picture of financial facts is necessary (Malinić et al., 2016).

Therefore, the literature investigating legal and accounting knowledge sharing among LAs in developing corporate governance reports a diversity of empirically grounded impacts on audit quality and governance practices (Karajeh, 2023). Krishnan et al. (2011) state that legal expertise in audit committees improves FRQ via improved compliance and sensitivity to litigation risks, which is crucial in robust legal environments, this viewpoint supports the notion that legal knowledge could supplement financial expertise to enhance audit quality through more rigorous compliance and management (Al-Khasawneh, 2024). Given this responsibility, all audit board members are to be financially literate, with at least one component having financial expertise (Almatarneh et al., 2023). Audit committee professionals can change the structure and focus of audit committee discussions about FRQ, potentially affecting the committee's overall assessment of the quality of a company's FRQ (McDaniel et al., 2002).

According to Francis et al. (2003), countries with strong investor protection are additionally likely to have higher-quality accounting standards and higher-quality audits to enforce such standards. Krishnan et al. (2011) found a positive correlation between changes in legal expertise and changes in FRQ, indicating that legal expertise acts as a monitor rather than a signal of FRQ.

Also, Zahid et al. (2023) suggest that integrating financial and legal knowledge creates a strong foundation for audit systems that ensure monitoring and compliance. Chukwu et al. (2019) discovered that all other basic forensic accounting skills have a positive and significant impact on the methods by which an organization reports its financials; therefore, it is recommended

that aspiring forensic accountants be adequately trained to practice the profession satisfactorily. Gull et al. (2023) address issues about reverse causality and omit variable bias, they highlight the importance of legal experience in strengthening the financial acumen of audit procedures and so improving audit quality. Consequently, the following theory was developed:

H₂: Commitment to professional standards positively and significantly impacts financial reports quality in Jordanian companies.

2.2. Independence and Integrity among LAs and its Impact on Developing Financial Reports Quality in Companies

Governance provides a setting in which the auditing team exercises the independence in assessment of compliance with already established rules and regulations (Mohamed and Habib, 2013). Therefore, auditing in the corporate governance context is defined as a process where external auditors render an opinion on whether a corporation is compliant with the applicable laws, and regulations, conflict of interests and fraud-related controls have been avoided and management fairness has been ensured (Marshall, 2015). The auditing committee consist of independent directors, who are responsible for monitoring the management function, and the stakeholders in the auditing committee are responsible for providing fair and accurate information (Ferreira, 2018). Therefore, the freedom and integrity of LAs are important factors that support the accuracy of FR (Han et al., 2012; Al-Azzam et al., 2023). LAs are accurate evaluators of financial accounts, and their freedom ensures that their results are devoid of bias or other forces. Their integrity ensures that observe ethical standards, improving financial data's trustworthiness (Oraka and Okegbe, 2015). Auditors must be independent and accurate while examining a company's financial statements. This neutrality is critical because it enables auditors to deliver an impartial view, which is required for the FRQ credibility (Barrainkua and Espinosa-Pike, 2018). Independent auditors are additional likely to see and disclose inconsistencies, mistakes, or fraudulent actions in financial accounts (Aryan et al., 2024; Al-louzi and Al-hallameh, 2023). This attentiveness improves the FRQ by providing they provide a genuine and fair representation of the organization's financial situation and performance (Kaawaase et al., 2021).

According to Oraka and Okegbe, (2015), quality assurance in audit has increased investors' confidence in the reliability of audited accounts, and professional ethics of independence have a significant impact on quality assurance; thus, professional ethics is essential in quality assurance in audit because it enhances the independence of the auditor. Kaawaase et al. (2021) found that board knowledge and role performance are substantially connected with financial reporting quality. Furthermore, internal audit quality is strongly related to financial reporting quality. Board independence does not significantly predict financial reporting quality. Salehi and Shirazi, (2016) findings indicate that there is no significant association between other audit committee traits and financial reporting quality, with the exception of audit committee independence, which is favorably associated with financial reporting quality. Idor et al. (2020) found that accountants' independence, objectivity, and competence had a

favourable and substantial influence on the quality of financial statement disclosure. Mwangi, (2018) discovered that audit committee independence, diversity, financial competence, and audit committee meetings all had a statistically significant link with the quality of financial reporting. Consequently, the following hypothesis was developed:

H₃: Independence and integrity positively and significantly impact FRQ in Jordanian companies.

2.3. Commitment to Professional Standards among LAs and its Impact on Developing Financial Reports Quality in Companies

Professional auditing standards cover a wide range of rules, such as ethical principles, auditing standards, and legal obligations (Mardijuwono and Subianto, 2018). As a result, auditing standards rely heavily on ethical concepts including honesty, objectivity, professional competence, confidentiality, and professional behavior (Ismail and Sobhy, 2009; Al-Wreikat, 2024). LAs must follow these criteria to guarantee that their job is done honestly and objectively. Therefore, adherence of LAs to professional standards is essential to the integrity of financial reporting (Han et al., 2012). This commitment strengthens stakeholder trust and adds to the overall integrity of financial markets. Additionally, LAs' adherence to professional standards assures regulatory compliance (Ryu et al., 2021). Auditors assist businesses in meeting legal requirements by tracking established regulations, reducing the likelihood of noncompliance and the resulting legal consequences, where integrity and impartiality are extremely important because they provide auditors independence and impartiality in their findings (Gendron et al., 2006). Therefore, adherence to professional standards has a direct impact on FRQ. Auditors who adhere to these standards are more likely to generate real and dependable financial accounts (Ding, 2023). This, in favor, improves the openness and credibility of financial information, which is required for stakeholder decision-making (Atuulik and Salia, 2018).

Therefore, the development of company governance is greatly affected by LAs' commitment to professional standards (Alweqyan, 2023). Adoption of the corporate governance principles integration plays a significant role in narrowing the Expectation Gap between external auditors and the financial community which was brought forward by Alaraji, (2017) as an indicator gap. A gap that, therefore, signifies the differences between what the financial community anticipates from auditors and what they believe their responsibilities entail. The practice of professional systems in auditing enhances the credibility and trustworthiness of auditors: Two aspects that are stakeholders' focus through practices compliant with expected standards as highlighted by research (Al Hosban, 2014). Implementation of corporate governance principles such as transparency plus accountability can be seen as efforts toward bridging this gap a disparity ensuring that stakeholders receive reliable information on the financial situation at any given time (Sikka et al., 1998).

According to Gendron et al. (2006), accountants at major international accounting firms are less committed to auditor independence than their peers in public accounting. We note

that senior accountants show a higher commitment to auditor independence; we also discover that dedication to one's client does not always result in a loss of commitment to the primary professional value of autonomy. The findings of Barrainkua and Espinosa-Pike, (2018) indicate that regulatory measures to enhance auditor behavior by enforcing independence norms have been internalized by auditors. Furthermore, this study shows that auditors' commitment to the public interest and ethical decision-making are influenced by their organizations' ethical cultures. Yusran, (2023) demonstrates that the better the internal control system, information technology, application of accounting standards, and function of internal audit, the higher the quality of local government FR. Consequently, the following hypothesis was developed:

H₄: Legal and accounting knowledge positively and significantly impact financial reports quality in Jordanian companies.

2.4. Responsibility and Ethics among LAs and its Impact on Developing Financial Reports Quality in Companies

Corporate governance is key for creating the basis for transparency and ethical behavior, and audits are a central component in the corporate governance process (Alrwele, 2023). Auditors, particularly legal audits, through their activity of checking if organizations adhere to laws and regulations, contribute to maintaining an organization's governance and structures (Francis et al., 2003). LAs conduct extensive investigations that affirm organization compliance and integrity in their operation. They achieve this goal through accountability as well as they support the success of the organization in the long run (Hussain et al., 2023; DeZoort and Salterio, 2001). Therefore, responsibility in auditing is having auditors accountable for their actions and choices (Al-Saidi and Al-Rumhi, 2023). They must ensure that their job meets professional standards and regulatory obligations. This responsibility is critical to securing the integrity of the auditing process and the accuracy of financial reporting (Staubus, 2005). The FRQ reflects an auditor's commitment to ethics and accountability. Inconsistencies, errors, and dishonest activities are more likely to be discovered and disclosed by ethical auditors, ensuring that financial statements accurately reflect the company's status and performance (Alqudah et al., 2024; Enofe et al., 2015). Also, all parties involved, including investors, regulators, and the general public, benefit from the confidence that ethical and responsible auditors cultivate. Believing that financial reporting is accurate and trustworthy is essential for making informed investment decisions, adhering to regulations, and maintaining market stability (AL Qtaish, 2021). Thus, trustworthy and credible financial accounts are ensured by superior audits conducted by moral experts. Furthermore, ethical auditing rules include concepts such as honesty, objectivity, professional competence, confidentiality, and professional behavior (La Torre et al., 2021). As a result, professional competence entails retaining the knowledge and skills required to execute auditing tasks efficiently. Due care is the dedication and thoroughness with which auditors undertake their tasks (Albesharah, 2023). These characteristics guarantee that audits are carried out with the highest degree of skill, which contributes to the FRQ (Salehi and Shirazi, 2016).

According to Karasioğlu et al. (2021) found that accounting ethics had a considerable favorable influence on FRQ and decision-making in Kabul logistic firms. Furthermore, Enofe et al. (2015) discovered that accounting ethics had a substantial impact on financial reporting quality. Furthermore, the research by Mediawati (2023) emphasizes the role of auditors in assuring the correctness and dependability of financial data. Chouaibi and Hichri, (2021) findings show that both auditor specialization and auditor ethical criteria have a strong beneficial influence on integrated reporting quality. Consequently, the following hypothesis was developed:

H₃: Responsibility and ethics positively and significantly impact financial reports quality in Jordanian companies.

3. METHODOLOGY

This study investigates the impact of the LA on FRQ; Therefore, the study population is the statutory auditors, it is a justified step; According to the Jordanian Society of Certified Public Accountants (2024), the size of the community reached 596. It is a role where reliable and independent reports are provided on the extent of companies' compliance with local and international laws and legislation by LAs only, as they are the most experienced, as well as choosing the companies themselves; Therefore, the sample size was 219 to be a representative sample of the community.

To select the sample, a simple, purposeful random sample was used to choose their emails from the list received from the association above. The conditions for the sample were that they must have a set of characteristics and skills, including independence, integrity, and legal and accounting knowledge, and that they must bear a great responsibility towards the company and the public in ensuring the accuracy and validity of the reports they submit. These conditions were verified based on the questionnaire paragraphs designated for this purpose. Furthermore, 326 questionnaires were distributed through the online survey; Contact information was obtained through the Jordanian Association of Certified Public Accountants. As a result, 229 responses were received, and as a result of the above conditions, 92 questionnaires were excluded due to outliers, and thus the study sample included 137 LAs.

4. FINDINGS

The FRQ is critical to corporate governance and transparency, impacting stakeholders' trust and investment decisions. In Jordan, the role of LAs is pivotal in ensuring that FR are accurate, reliable, and compliant with local and international standards. This study investigates the influence of various factors associated with LAs on the FRQ in Jordanian companies. Specifically, it examines the impact of auditors' commitment to professional standards, independence and integrity, legal and accounting knowledge, and responsibility and ethics. However, the analysis is based on data collected from statutory auditors, utilizing a structured questionnaire to assess their characteristics and practices. The reliability and validity of the measurement model were evaluated using several statistical techniques, ensuring that the constructs accurately reflect the dimensions they are intended to measure. However, using Smart PLS 4, the path coefficient is evaluated to

demonstrate the magnitude of the independent variable's impact on the dependent variable. While the degree to which endogenous variables are impacted by exogenous factors is determined by the determination coefficient (R-Square). For endogenous latent variables in the structural model, the R² result is 0.67 and above, suggesting that the relationship between exogenous variables and endogenous variables is positive. Figure 1 describes the path coefficients of the achievement motivation research framework as follows:

The measurement model was assessed using key reliability and validity metrics, including Cronbach's alpha, composite reliability, and average variance extracted (AVE). These metrics provide insights into the internal consistency, reliability, and convergent validity of the constructs used in the study. However, it measures the internal consistency of the constructs, with values above 0.7 indicating acceptable reliability. Composite reliability (rho_a and rho_c), indicates the overall reliability of the constructs, with higher values reflecting better reliability. Lastly, AVE: Reflects the amount of variance captured by the constructs relative to the variance due to measurement error, with values above 0.5 indicating good convergent validity. Moreover, the Table 1 below summarizes these metrics for each construct used in the study:

Table 1 shows that all constructs in this investigation have excellent levels of inner consistency and validity, as evidenced by the reported metrics. Cronbach's alpha, a measure of internal consistency, values >0.7 are typically deemed desirable. Therefore, all constructs in this study had Cronbach's alpha values that were significantly higher than this criterion, suggesting great internal consistency. Notably, the constructs for FRQ (0.929) and LA (0.960) have exceptionally high reliability, indicating that the items within these constructs are closely associated and effectively assess the same underlying concept.

The AVE for Independence and Integrity (0.765) and LA (0.784) are extremely high, underscoring the strong descriptive power of these constructs. The table below shows the R-square and R-square adjusted values for the constructs in the study. Where these values are important for understanding the proportion of variance in the dependent variable that is explained by the independent variables. R-square delivers a measure of how nicely the independent variables predict the dependent variable, while R-square adjusts this value to account for the digit of predictors in the model, delivering a more accurate measure for samples with multiple predictors.

Through Table 2, the R-square and R-square adjusted values provide details about the components' explanatory power in predicting FRQ in Jordanian enterprises. These digits stress each construct's capacity to explain FRQ variances. The Commitment to Professional Standards constructs accounts for approximately 13.9% of the variation in FRQ, with an adjusted R-square value of only 13.3%. This suggests a minor influence of professional standards commitment on FRQ. Collectively, the components explain 15.2% of the variation in FRQ, with an adjusted R-square value of 12.0%, indicating that the independent factors have a minor but significant contribution in predicting FRQ. Also, the

Figure 1: Measurement model

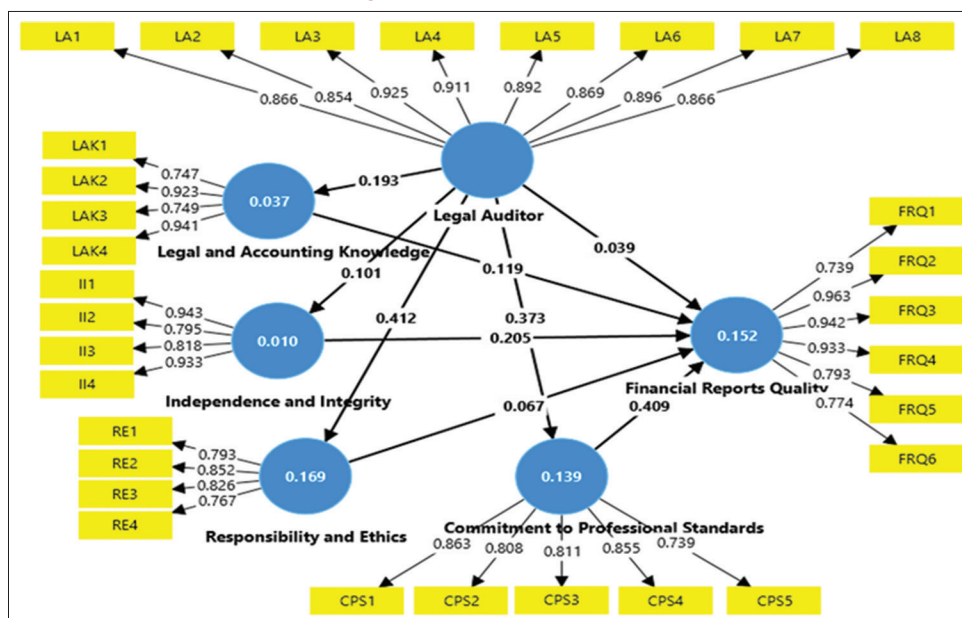


Table 1: Reliability testing

Variables	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	AVE
Commitment to Professional Standards	0.874	0.874	0.909	0.666
Financial Reports Quality	0.929	0.950	0.945	0.744
Independence and Integrity	0.898	0.924	0.928	0.765
Legal Auditor	0.960	0.962	0.967	0.784
Legal and Accounting Knowledge	0.877	0.963	0.908	0.714
Responsibility and Ethics	0.826	0.832	0.884	0.656

AVE: Average variance extracted

Table 2: R-square and R-square adjusted

Variables	R-square	R-square adjusted
Commitment to professional standards	0.139	0.133
Financial reports quality	0.152	0.120
Independence and integrity	0.010	0.003
Legal and accounting knowledge	0.037	0.030
Responsibility and ethics	0.169	0.163

independence and Integrity construct explains just 1.0% of the variance in FRQ, with an adjusted value of 0.3%, indicating that independence and integrity had little impact on FRQ in this study.

Meanwhile, the Legal and Accounting Knowledge domain is responsible for 3.7% of the variance in FRQ, with an adjusted value of 3.0%. This relatively low VAR indicates the low but still relevant impact of the auditors' legal and accounting expertise. Finally, the Responsibility and Ethics construct accounts for 16.9% of the variance in FRQ, with an adjusted value of 16.3%. This VAR indicates that auditors' sense of responsibility and ethical behaviour makes a significant impact on FRQ.

Therefore, the findings of this analysis make an important contribution to an understanding of the most important factors responsible for high-quality FRQ and shed sunlight on the key directions of the development of audit practices and standards in Jordan. Discriminant Validity. This feature of the construct's

validity is responsible for the assurance that each key domain of the study measures a distinct phenomenon.

Table 3 illustrates the outcomes of discriminant validity for variables employed in this research, commitment to professional standards FRQ Independence and Integrity LA legal and accounting knowledge Responsibility and Ethics The numbers in the table represent a correlation between constructs, and fewer correlations mean more good discriminant validity.

Table 3: Discriminant validity is examined, where you can see that each construct should have distinct correlations from every other with other constructs. The scores are the extent to which each construct is unique and does not share too much overlap with another, thus guaranteeing that the constructs measure different things. The commitment to professional standards has moderate correlations with other factors (max correlation 0.545, e.g., responsibility and ethics). This means that, while not entirely separate, Commitment to Professional Standards is fairly different from constructs like legal and accounting knowledge (0.079).

The correlation between FRQ and other constructs is relatively low, with the highest being 0.374 with a commitment to professional standards. This indicates good discriminant validity, suggesting that FRQ is measured distinctly from the other constructs. Independence and integrity show low correlations with most constructs, with a notably higher correlation of 0.725

with legal and accounting knowledge. This relatively high correlation suggests some overlap between these two constructs, which might require further investigation to ensure they are measuring sufficiently distinct concepts. The LA construct has moderate correlations with Commitment to Professional Standards (0.404) and Responsibility and Ethics (0.454), but lower correlations with other constructs. This indicates that while there is some relationship, the LA construct is relatively distinct. Legal and accounting knowledge has the highest correlation with independence and integrity (0.725), suggesting a close relationship between these two constructs. This could imply that auditors who are knowledgeable in legal and accounting matters are also perceived to have high levels of independence and integrity. However, its lower correlations with other constructs affirm its discriminant validity. Responsibility and ethics show the highest correlation with commitment to professional standards (0.545), indicating a moderate relationship. However, its correlations with other constructs are lower, supporting the notion that responsibility and ethics a distinct construct within the study. However, the discriminant validity results reveal varying degrees of correlation among the constructs, with most values indicating good discriminant validity. Commitment to professional standards and responsibility and ethics are moderately correlated, suggesting

a relationship but not redundancy. Independence, integrity, and legal and accounting knowledge show a higher correlation, which might necessitate further scrutiny to ensure distinctiveness. Overall, the constructs demonstrate adequate discriminant validity, supporting their use in evaluating the impact of LAs on the FRQ in Jordanian companies. These findings affirm that each construct measures a unique aspect of the auditing process and its influence on financial reporting quality.

To test hypotheses in statistical analysis, various indicators are examined. The following table presents the results of hypothesis testing for the constructs in this study. The table includes key statistics such as the original sample (O), sample mean (M), standard deviation (STDEV), T statistics, and P-values. These metrics serve as the basis for understanding how strong those relationships are or mean (intermediate variable: commitment to professional standards, independence, and integrity; LA; aspects in norms of accounting education) with dependent variables FRQ. Yet, the generally depicted outcomes of hypothesis testing are in Figure 2 and Table 3, for a few parameters stated above. These results are particularly useful for researchers to better understand the relationships between variables and make judgements based on statistical evidence.

Table 3: Discriminant validity

Variables	Commitment to Professional Standards	Financial Reports Quality	Independence and Integrity	Legal Auditor	Legal and Accounting Knowledge	Responsibility and Ethics
Commitment to Professional Standards						
Financial Reports Quality	0.374					
Independence and Integrity	0.158	0.115				
Legal Auditor	0.404	0.096	0.115			
Legal and Accounting Knowledge	0.079	0.050	0.725	0.193		
Responsibility and Ethics	0.545	0.129	0.243	0.454	0.212	

Figure 2: Hypothesis testing results

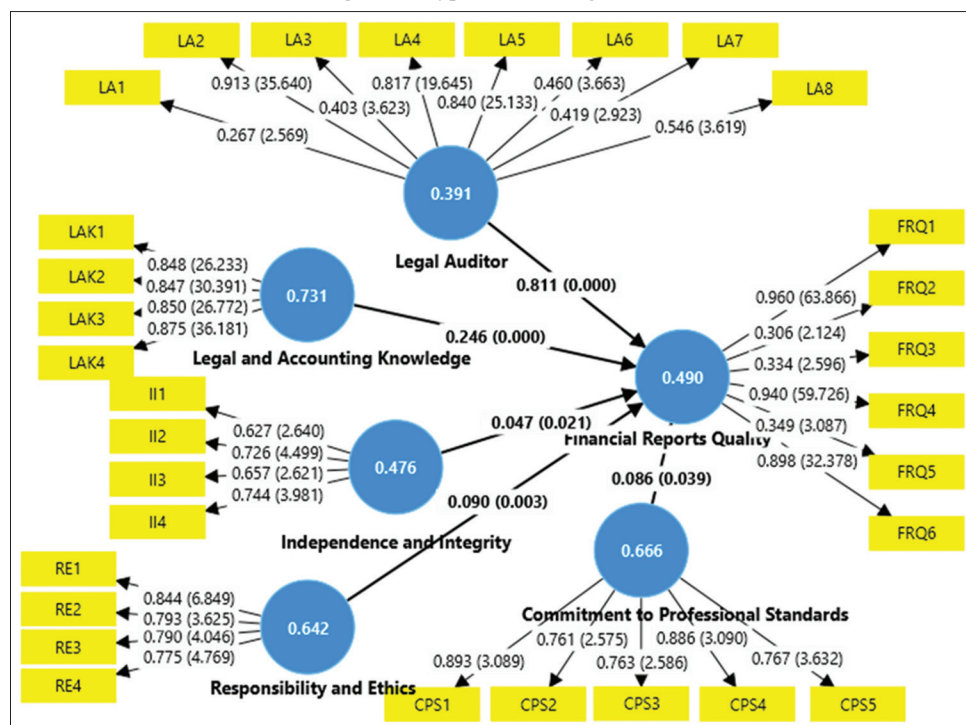


Table 4: Hypothesis testing results

Hypothesis Results	Original Sample (O)	Sample mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P-values
Commitment to Professional Standards -> Financial Reports Quality	0.086	0.080	0.042	2.066	0.039
Independence and Integrity -> Financial Reports Quality	0.047	0.041	0.021	2.306	0.021
Legal Auditor -> Financial Reports Quality	0.811	0.804	0.035	23.054	0.000
Legal and Accounting Knowledge -> Financial Reports Quality	0.246	0.247	0.029	8.371	0.000
Responsibility and Ethics -> Financial Reports Quality	0.090	0.083	0.030	3.022	0.003

The results of the hypotheses testing further highlight how important different constructs are in determining FRQ among Jordanian firms. T statistics and P values of each pathway for constructs impact on FRQ, the pathway (Commitment to Professional Standards -> Financial Reports Quality) is significant with T statistic 2.066, P value 0.039. This implies that maintaining professional standards has a small yet statistically significant improvement on the quality of financial reports. The consistent effect of the sample is reflected by an original (O) value of 0.086 and a sample mean (M) value of 0.080. The pathway also has a significant effect on (Independence and Integrity -> Financial Reports Quality) by the T statistic value of 2.306, P = 0.021. The above results indicate that the independence and integrity of auditors positively affect FRQ, but marginally less than other constructs. The original value (O) for the sample size of 0.047 and the sample mean value of 0.041 are minimal, yet critical signs that this index had a profound effect on the results. On the LA->FRQ pathway, the legal auditor construct has a strong and highly significant positive effect on FRQ with T-statistic > 23.054 (P = 0.000, significant). All that emphasizes the important role of legal auditors in improving financial reports on a general basis. This construct exerts a notable effect with its original sample (O) value of 0.811 and the sample mean (M) value of 0.804. Again, for the pathway (Legal and Accounting Knowledge -> Financial Reports Quality), the relationship is highly significant, with a T-value of 8.371, P = 0.000. It means that auditors with expertise in law and accounting substantially improve the FRQ. The sample mean value (M) has a great and minimum effect at level 3, which is consistent with the original O value of 0.246. For the pathway (Responsibility and Ethics -> Financial Reports Quality), Responsibility and Ethics has a significant positive coefficient of 3.022 at P = 0.003, as shown in Table 4 this indicates that auditors' sense of obligation and ethical conduct are powerful drivers to enhance the quality of financial reporting. Significance was indicated by the original sample (O) 0.090 and the sample mean (M) of 0.083. Nonetheless, the result of hypothesis testing suggests that all other constructs, including a commitment to professional standards, independence and integrity, legal auditor functions, and knowledge of ethics, greatly affect the FRQ. That the Legal Auditor construct has a higher impact than those of knowledge-legal and accounting, demonstrates how important these factors are in providing high-FRQ within Jordanian companies. This result indicates that professional behaviour, competence, independence, and objectivity, as well as ethical standards on the part of auditors, remain critical to improving FRQ.

5. DISCUSSION AND CONCLUSION

One of LAs' key responsibilities is to identify and repair financial misstatements; their independent evaluations are intended to spot

mistakes or fraudulent conduct, hence protecting the integrity of FRs and lowering the danger of financial restatements (Mwangi, 2018). Therefore, the connection between legal auditors and FRQ is essential for establishing confidence with investors, controllers, and stakeholders (Qawqzeh et al., 2020). Also, the concentration of LAs boosts investor trust; audited financial statements are sensed as more dependable, assuring investors of the correctness and comprehensiveness of the financial information (Krishnan et al., 2011). Also, technology permits auditors to conduct more thorough and efficient audits, thereby enhancing the quality and reliability of FR (Sarwoko and Agoes, 2014). Similarly, auditor independence is critical to their job, auditors with aligned interests can provide an unbiased assessment of financial statements, which is necessary to preserve the audit process's credibility (Chukwu et al., 2019). By offering an impartial and objective examination of the financial statements, auditors ensure that all stakeholders have equal entry to high-quality financial information (Yusran, 2023).

Furthermore, the presence of LAs is an essential component of effective corporate governance (Jarrah et al., 2023). Companies that provide high-quality, audited financial reporting usually strive to boost their market image (Alawaqleh and Almasria, 2021). Overcoming these challenges is crucial to maintaining the high quality of audits (ALbawwat et al., 2021). Also, ALbawwat et al., (2021) demonstrate that auditor personality characteristics have an indirect impact on FRQ through the performance of the internal audit function. Jarrah et al. (2022) demonstrated that internal audit independence, objectivity, verifiability, professional care, and impartiality can help reduce the consequences of creative accounting on the trustworthiness of Jordanian financial statements. DeZoort and Salterio (2001) found that more independent director experience and audit competence were related to higher audit committee member support for an auditor. According to Al Zobi and Jarrah, (2023), internal auditing is positively related to accounting information systems.

As a result, these studies stress the importance of combining legal and financial skills to improve audit procedures' quality and efficiency. Krishnan et al. (2011) identified a positive relationship between changes in legal competence and changes in FRQ. Oraka and Okegbe (2015) observed that quality assurance in auditing has boosted investors' faith in the reliability of audited accounts and that professional ethics of independence have a significant impact on audit quality. Chukwu et al. (2019) found that all other essential forensic accounting skills have a positive and significant impact on how a firm displays its financial results. Kaawaase et al. (2021) found that board knowledge and role performance are substantially connected with financial reporting quality. Furthermore, internal audit quality is strongly related to FRQ. Board independence

does not significantly predict FRQ. Salehi and Shirazi, (2016) findings indicate that there is no significant association between other audit committee traits and FRQ, except audit committee independence, which is favourably associated with FRQ. Idor et al. (2020) found that accountants' independence, objectivity, and competence had a favourable and substantial influence on the quality of financial statement disclosure. Mwangi, (2018) discovered that audit committee independence, diversity, financial competence, and audit committee meetings all had a statistically significant link with the FRQ. Yusran (2023) demonstrates that the better the internal control system, information technology, application of accounting standards, and function of internal audit, the higher the quality of local government FR. Karasioglu et al. (2021) found that accounting ethics had a considerable favourable influence on FRQ and decision-making in Kabul logistic firms. Furthermore, Enofe et al. (2015) discovered that accounting ethics had a substantial impact on FRQ. Furthermore, the research by Mediawati (2023) emphasises the role of auditors in assuring the correctness and dependability of financial data. Chouaibi and Hichri (2021) findings show that both auditor specialisation and auditor ethical criteria have a strong beneficial influence on FRQ.

As a result, this study sought to determine the influence of the LA on the FRQ in Jordanian businesses. To pick the sample, a simple, deliberate random sample was utilised to choose emails from the list provided by the association above. The sample was required to have certain characteristics and skills, such as independence, integrity, legal and accounting knowledge, and to bear a high level of responsibility to the company and the public in ensuring the accuracy and validity of the reports they submitted. The hypothesis testing findings show that all analysed constructs, including adherence to professional standards, independence and integrity, legal auditor, legal and accounting expertise, and accountability and ethics, have a substantial favourable impact on the FRQ. Among these, the legal auditor construct has the greatest influence, followed by legal and accounting expertise, emphasising the importance of these aspects in maintaining high-quality financial reporting in Jordanian businesses. These findings emphasise the necessity of maintaining high levels of expertise, knowledge, independence, integrity, and ethical behaviour among legal auditors in order to improve financial reporting quality.

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