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The Impact of Political Communication on the Risk of Litigation Against the Auditor, Taking into Account the Role of Audit Quality

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Abstract

Objectives: The present study aims to investigate the impact of political communication on the risk of lawsuits against auditors, considering the role of audit quality.

Design/methodology/approach: This research is applied and, from a methodological standpoint, is causal correlation. The statistical population of the study consisted of all firms listed on the Tehran Stock Exchange. Using systematic sampling, 131 firms were selected as the study sample and studied over a 7-year period from 2016 to 2022.

Results: The results of testing the research hypotheses showed a relationship between political communication and the risk of lawsuits against auditors in the first hypothesis. The second hypothesis demonstrated the effect of the interaction of audit quality and political communication on lawsuits against auditors.

Innovation: This ongoing research provides evidence that political communication reduces the risk of lawsuits against auditors and improves the quality of auditing.

Keywords: Political Communication, Audit Claims, Audit Quality, Auditor Expertise.

1. Introduction

The theory of political economy has been present in world economic literature since the second half of the twentieth century, particularly with the spread and influence of the liberal school. This theory has not only been considered by economists and politicians, but sociologists have also contributed to its development and explanation. The theory is based on the idea that economics and politics mutually influence each other. Political activities and decisions have direct and indirect impacts on economic activities, and vice versa (MehdiFard and Royaei, 2014). The government's influence and political support can be examined in two aspects: advantages and disadvantages. Political support from the government can lead to value creation for a firm. While government support brings advantages such as lower financing costs for a particular firm, it may also lead to inefficiencies in the firm's performance (Rahnema RoodPoshti and Mohseni, 2018).

If discrepancies in financial statements go unnoticed by expert auditors, they will be held accountable for this, as investors and stakeholders rely on the audit community and their opinions for future investment decisions. The quality of financial reporting is derived from current earnings data of firms to forecast future profits (Biddle et al., 2009). Financial reporting quality distinguishes useful information from other data, enhancing the usefulness of information. Financial information transparency has always been a crucial factor in determining investment strategies in financial markets. Despite this, firm managers, who are primarily responsible for preparing financial statements, may have incentives to manipulate financial information to protect their interests. Managers often avoid disclosing negative news about the firm and only publish positive news (Foroughi et al., 2011). With the increasing trend of investing in stock markets and the capital market, the significance of firm information and financial statements will be amplified. Audit firms are crucial in overseeing these statements, and quality audits require auditors to gather reliable evidence and sufficient information to make informed judgments and provide fraud-free financial statements to the capital market (Doulabi, 2019). Lawsuits against auditors refer to cases where auditors face legal action resulting from their audit activities (Jabbarzadeh Kangarloui et al., 2014).

Firms with political ties to the government have been found to have lower financial reporting quality. Therefore, this research seeks to investigate the relationship between political connections and financial reporting quality. The research structure involves expanding on theoretical foundations, hypotheses, and empirical bases, detailing the methodology and operational definitions of research variables, and presenting the research findings and conclusions.

2. Theoretical foundations and the development of research hypotheses

2.1. Political communication and lawsuits against the auditor

Studies on firms with political connections have shown that political communication can impact a firm in both positive and negative ways. Some studies highlight the benefits of political communication, such as securing low-interest bank loans. However, other studies have indicated that political communication can harm a firm by leading to lower quality accounting information, the appointment of managers and board members lacking competence and efficiency (Bubakari et al., 2010).

Financial reporting quality is crucial in distinguishing useful information from irrelevant data and enhancing the overall usefulness of financial statements. High-quality financial reporting ensures that information is effectively communicated to stakeholders such as investors, creditors, and managers (Mehravar & Kargar, 2019). Firms with strong political ties may not feel the need to respond to market pressures to enhance information quality, resulting in poorer accounting information.

Given the significant role of the government in the Iranian economy, occurrences of financial statement revisions and their severity are used as indicators of low-quality accounting information. There is a positive correlation between political communication and financial statement restatements, indicating that a firm's political relations can influence the quality of its accounting information (Khajavi et al., 2021).

Accurate and timely financial reporting holds immense value for those exposed to the fluctuations of capital markets. It is essential to examine various dimensions of accounting information, such as quantity, quality, and presentation methods, through different research studies (Khalifa Soltani et al., 2018). Independent auditors play a crucial role in instilling confidence in the quality of financial statements by detecting and preventing conflicts of interest, potential fraudulent activities, and enhancing audit quality. Skilled auditors can meticulously review financial statements, ensure their accuracy, and improve overall audit quality to mitigate legal risks (Ebrahimi Kordlar and Javani Ghalandari, 2016).

Therefore, based on the aforementioned points, the second hypothesis of this research can be formulated as follows:

H1: There is a significant relationship between political communication and the risk of lawsuits against auditors.

2.2. Quality of Auditing, Political Communication and Reduction of Lawsuits

Financial reporting serves as a means of communication among investors, market agents, managers, and firm owners, transferring financial information to both internal and external stakeholders. Financial reporting standards dictate that the purpose of financial statements is to provide valuable presentations, conveying a wealth of information to the markets. This information is beneficial for current and potential investors, as well as creditors who utilize the financial data provided. Managers use financial statements for various decision-making processes, evaluating management performance, calculating corporate liabilities, and making tax assessments. Therefore, for financial accountability, statements must be accurately and transparently expressed in accordance with financial reporting standards (Etemadi & Abdoli, 2017).

The criteria for information quality align with Romney and Austin Barrett's (2012) book, "Accounting Information Systems." These criteria state that information must be relevant, complete, reliable, timely, understandable, verifiable, and accessible. However, in reality, many firms fail to meet these criteria in their financial statements. One reason for this discrepancy is corporate agents engaging in fraudulent activities to profit from various groups or individuals within firms (Jayanti et al., 2021).

With the globalization of the business market and the increasing demand for transparent information among investors, shareholders, and society as a whole, the quality of financial reporting has become a key component of corporate strategy. The value of accounting information and financial reporting in the market, particularly concerning investor income, has become a central focus of accounting research (Chen et al., 2012). Emphasis is placed on the overall quality of financial reporting and the specific role of auditors, as high-quality financial reporting enables more informed decision-making by investors, guiding the optimal allocation of resources (Piri et al., 2014).

The separation of ownership from management allows managers to make decisions that may align with their interests but contradict those of shareholders. In earnings management studies, voluntary accruals, which management can manipulate, play a significant role. Accruals bridge the gap between income and cash flow; therefore, assuming cash flows remain unaltered, the manipulation of profits relies on adjusting optional accruals. Audit procedures mitigate the estimated error in accruals, neutralizing managers' opportunistic smoothing in pre-audit financial statements. The auditor's report on statements and other financial information serves as a crucial tool in ensuring the reliability of corporate information, creating a link between auditors' findings and both internal and external stakeholders in the form of audit opinions. This process aids in identifying issues within firms, reducing the risk of litigation against auditors by enhancing the quality of financial statements (Etemadi & Abdoli, 2017).

Based on the aforementioned content, the second hypothesis of the research is presented as follows:

H2: There is a significant relationship between political communication and the Risk of litigation against auditors.

3. Research Background

Khaksar et al. (2021) conducted a study titled "The Relationship between Political Relations with Audit Quality and Auditor's Expertise in the Industry," aiming to determine if political relations can enhance audit quality and auditor expertise in the industry. The study utilized a multivariate regression model to test the hypothesis. The results indicated a significant and negative relationship between political relations and audit expertise, suggesting that firms with strong political ties increase competition in the audit market, leading to reduced audit quality.

Khalil et al. (2021) reviewed "Political Communication, Political Corruption, and Auditing," noting that most studies on the economic impact of political communication were conducted in an Asian context. Political communication was found to increase the likelihood of favorable audit opinions, but also correlated with higher audit costs and longer audit delays, potentially compromising auditor independence. Studies on the economic consequences of political corruption in auditing were primarily focused on the U.S., revealing that political corruption was associated with increased audit costs, longer audit delays, and a higher likelihood of receiving unqualified audit opinions.

Arno and Giulio (2021) explored "Managing Litigation Risk through Corporate Pay Policy," observing that firms adjust their payment policies to anticipate future litigation costs. Analysis of lawsuits involving U.S. firms showed that those facing significant litigation risks tended to pay lower dividends and sometimes lower profits, favoring stock repurchases over dividends. Firms with liquidity constraints reduced share repurchases when faced with settlement costs, indicating that high-risk firms adjust their payment strategies accordingly.

Sun et al. (2021) investigated "Audit Committee's Financial Expertise, Judicial Litigation Risk, and Tax Services Provided by the Auditor," highlighting the impact of the Sarbanes-Oxley Act on audit committees' oversight responsibilities. The study found that firms with accounting financial experts on audit committees experienced fewer tax errors, but those with higher prior litigation risks had relatively higher tax errors, suggesting a trade-off between financial reporting quality and auditor independence in cases of tax errors.

Meyst et al. (2020) examined factors influencing lawsuits against auditors in the U.S. and their outcomes, noting that legal claims against auditors often revolved around economic losses, auditors' financial capacity, and the cost of pursuing lawsuits. Many lawsuits were resolved through negotiation rather than litigation.

Hossein et al. (2020) studied "The Impact of Corporate Political Communications on Audit Quality," finding that politically connected firms faced representation costs due to ineffective asset utilization. The study emphasized that audits cannot coexist in corrupt environments, underscoring the importance of audit quality.

Hucke (2020) explored the role of audit firms in fraud detection and the global economy, emphasizing the need to eliminate conflicts of interest in auditing. The study highlighted the critical role of audit firms in facilitating efficient business operations and reducing the risk of lawsuits through enhanced audit quality.

Melol et al. (2018) investigated the impact of political communication on Tunisian firms' performance and value, concluding that political connections improved firm performance and value, attracting investors who believed politically connected firms could achieve higher profits.Wang et al. (2017) focused on " Political Communication and Financial Reporting Fraudulently," suggesting that increased management ability led to improved financial reporting quality, particularly in non-governmental firms.

Wang (2015) found that political connections influenced the risk of stock price crashes, with government-controlled firms experiencing higher risks. In contrast, private firms hiring politically connected managers reduced the risk of stock price crashes, highlighting the importance of good governance in mitigating risks.

Ling et al. (2016) noted that firms with strong political connections had easier access to long-term funding sources, but excessive political intervention could weaken the firm's overall stability.

Yuan and Zhang (2016) studied the impact of financial statement quality on auditors' litigation risk, revealing that poor financial statement quality could devalue a firm, disrupt financing, and increase the risk of lawsuits due to information asymmetry and declining reputation.

4. Research Methodology

The present study is classified as applied research due to the basic theoretical foundations related to the studied variables, both in terms of purpose of implementation and method of execution. It is also classified as descriptive-causal research because it investigates the variables as they are without changing them to measure their effects on each other. Historical and post-event data were collected using library and archival methods to test the research hypotheses.

The statistical population of the study includes all listed firms on the Tehran Stock Exchange, excluding firms with financial periods other than the end of March, those that changed their financial period during the research period, firms with insufficient information for comparability, as well as investment firms, banks, and insurance firms. A total of 135 firms were selected using a systematic screening pattern, and data were collected over a 7-year period from 2016 to 2022 to ensure a sufficient sample size.

Regression analysis was conducted using Eviews 12 software, including logistic regression and other appropriate statistical methods for the final testing of hypotheses. The combined data, along with the dimensions of time and place in different periods, provided the researcher with complete and reliable information.

5. Regression models of research

Model First Hypothesis Test

$LIT\ SCORE_{j,t} = \beta 1 + \beta_2\ STATE_{i,t} + \beta 3\ LEV_{i,t} + \beta 4\ MB_{i,t} + \beta_5\ ROA_{i,t} + \beta 6\ SIZE_{i,t} + \beta 7\ LOSS_{i,t} + \varepsilon_{it}$

Model Second Hypothesis Test

$LIT\ SCORE_{j,t} = \beta 1 + \beta_2\ STATE_{i,t} + \beta 3\ SPECIAL_{i,t} + \beta 4\ (STATE_{i,t} \times SPECIAL_{i,t}) + \beta_5\ LEV_{i,t} + \beta 6\ MB_{i,t} + \beta 7\ ROA_{i,t} + \beta 8\ SIZE_{i,t} + \beta 9\ LOSS_{i,t} + \varepsilon_{it}$

Operational Definitions of Variables

Dependent Variable Of Research: Auditor Litigation Risk' (LITSCORE)

Due to the various factors involved in lawsuits against auditors, it is essential to utilize a comprehensive model for investigation. This model should be based on previous findings (Shu, 1999) and should follow the research of Krishna and Zhang (2005), Jabbar Zadeh et al. (2014), and Rajab Dari and Baghomian (2019). The risk of a lawsuit against an auditor can be assessed in the following manner:

Equation (1):

LITSCORE=0.276*SIZE+1.153*INV+2.075*REC+1.251*ROA+1.501*LEV+0.301*GROWTH-0.371*RET+0.235-10.049

LIT SCORE: LITIGATION SCORE AGAINST AUDITOR

SIZE: Natural logarithm of total assets at the end of the year

INV: Inventory divided by total assets

REC: accounts receivable by total assets

ROA: Return on assets
LEV: Total liabilities divided by total assets
GROWTH: Sales – Last year's sales / last year's sales
RET: Composite stock returns by the end of the year and the last day of the fiscal year.
Lawsuits against auditors are binary variables, with values of either 0 or 1. Equation (1) is used to assess the risk of litigation against auditors. Firms being studied are categorized into groups based on whether they have a risk of litigation or not.

Once the litigation score from equation (1) is determined, the average scores for all years are calculated for each firm. If a firm's litigation score for a particular year is higher than the average score for that year, they are placed in the high-risk group and given a score of 1. If a firm's litigation score for a year is below the average for that year, they are placed in the low-risk group and given a score of 0 (Jabbar Zadeh Kangarloui et al., 2014 & Baghoumiyan & Rajab, 2019).

Independent Variable Research: Political Communications (State)

The variable has two values (0 and 1): if the largest shareholder is a government firm or government-affiliated firm, code 1 or zero will be awarded (Mehravar & Kargar, 2019).

Moderator Variable: Quality of Audit (Special)

According to Salehi and Mahmoudabad (2017), in order to measure audit quality, the expertise of the auditor within a specific industry is considered. This concept is elaborated upon below:
The auditor's expertise is determined by evaluating their knowledge and experience within a particular industry, as well as the differentiation of their audit firm from competitors in that industry. By examining the market share of audit firms servicing a specific industry, we can gauge the expertise of the institution within that industry. For instance, an audit organization with a significant market share in the automotive industry would be considered an expert in that field.
Specialization within the industry is a binary variable. If an audit firm possesses the necessary expertise within its industry, it is assigned a value of 1; otherwise, it receives a value of 0. This variable is calculated using the Palmgrass Method (1988), specifically the market share approach, which identifies the audit firm as an expert that has excelled and differentiated itself from competitors.
The auditor's expertise within the industry is calculated by dividing the total assets of all owners of a specific audit firm within an industry by the total assets of all owners within that industry. The market share must exceed 1.2 times the average market share of firms within the industry. Firms meeting this criteria are assigned a code of 1, while those that do not are assigned a code of 0.

Control variables

Leverage (LEV): (Khodadadi et al., 2015): Ratio of total liabilities to total assets
Firm Size: The size of the firm in the form of a natural logarithm of total assets (Khodadadi et al., 2015).
Growth opportunity (MB): The ratio of market value to the book value of shareholders.
Return on assets (ROA): The ratio of net profit to total assets.
LOSS: A virtual variable that, if the firm's earnings are negative, the number (1) or (0) is accrued.

Research Findings

Descriptive statistics of research variables: The findings of the research include descriptive statistics and inferential statistics, which are first presented in .the table below descriptive statistics

Table(1).Descriptive statistics

Variable	Mean	Max.	Min.	standard deviation
LEV	0.56	1.08	0.14	0.20
ROA	0.12	0.41	-0.050	0.12
MB	3.40	8.03	1.05	2.16
SIZE	14.50	18.53	11.03	1.41

The main centrality index is the average, which indicates the balance point and the center of gravity of the distribution and is a good indicator to show the centrality of the data. For example, the average value for the financial leverage variable is equal to 0.56 percent, which shows that most of the data is concentrated on this point. In general, dispersion parameters are measures to determine the degree of dispersion from each other or the degree of dispersion of them compared to the average. One of the most important dispersion parameters is the standard deviation. The value of this parameter for the growth opportunity variable is equal to 2.16 and the return on assets variable is equal to 0.12 percent, which shows that these two variables have the highest and lowest standard deviation, respectively. Minimum and maximum also show the minimum and maximum in each variable. For example, the largest amount of financial leverage is equal to 1.08 percent.

As can be seen in Table 2, the total number of firms under investigation is equal to 917 cases, of which 485 firms, equivalent to 52.89 percent of the firms, have the possibility of filing a lawsuit against the auditor in the firm, and in 432 Year-firm means 47.11% of year-firms, there was no risk of filing a lawsuit against the auditor.

As can be seen in Table 3, the total number of firms under investigation is equal to 917, of which 103 firms, equivalent to 11.23 percent of the firms, are loss-making and 814 firms, which is 88.77 percent of the years. Firms have not been unprofitable.

As can be seen in Table4the total number of , year-firms under review is equal to917 of which ,531 year-firms equal to57.91of the year-firms do not % have expert auditors and386 year-firms equal to 42.09of the year-firms have auditors who specialize % .in the industry

As can be seen in Table 5, the total number of year-firms under investigation is equal to 917, of which 496 firm-years equal to 54.10% of firms have political relations and 421 year-firms equal to 45.90% of firms without relations. They have been political.

Table(2). Frequency distribution of the probability of the risk of filing a lawsuit against the auditor

Description	Abundance	Abundance percentage
1	485	52.89
0	432	47.11
total	917	100

Table(3). Frequency distribution of the firm's loss variable

Description	Percentage	Frequency
1	103	11.23
0	814	88.77
total	917	100

Table(4). Frequency distribution of the auditor's expertise

Description	Frequency	percentage
without auditor expertise in the industry(0	531	57.91
with auditor expertise in the industry(1)	386	42.09
total	917	100

Table(5).Frequency distribution of political communication

Description	Frequency	percentage
0	421	45.90
1	496	54.10
total	917	100

Table(6).Result Test: The first hypothesis

$LIT\ SCORE_{j,t} = \beta 1 + \beta_2 STATE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 MB_{i,t} + \beta_5 ROA_{i,t} + \beta_6 SIZE_{i,t} + \beta_7 LOSS_{i,t} + e_{i,t}$				
Variable	**Coefficients**	**standard error**	**z statistic**	**Sig**
STATE	0.281	0.116	2.415	0.015
SIZE	0.551	0.052	10.54	0.0000
ROA	3.83	0.69	5.54	0.0000
MB	-0.30	0.030	-10.23-	0.0000
LOSS	-0.129	0.214	-0.602	0.546
LEV	5.38	0.419	12.81	0.0000
Width from the origin	-9.70	0.76	-12.67	0.0000
Other information statistics				
LR statistics		451.13		
Prob.		0.0000		
McFadden coefficient		0.35		

The results from Table 6 indicate that the political communication variable, with a positive coefficient of 0.281 and a significance level of less than 5% (0.015), has a direct and significant relationship with the risk of lawsuits against the auditor. As a result, the first hypothesis is accepted with a confidence level of 95%. Additionally, control variables also show a significant relationship with the dependent variable, with a significance level of less than 5% (excluding the firm's loss).

McFadden's coefficient is calculated to be 35%, suggesting that 35% of the changes in the dependent variable are likely to fall between zero and one. In simpler terms, the research variables account for 35% of the changes in the dependent variable. The LR statistic is reported as 451.13, with a significance level of less than 5%. This suggests that the model used is valid and reliable.

The results from Table 7 indicate that the interaction between political communication and audit quality (auditors' expertise) has a negative coefficient of -0.9 with a significance level of less than 5% (0.001), showing an inverse and significant relationship with the risk of lawsuits against the auditor. Therefore, the second hypothesis is accepted at a 95% confidence level. Additionally, the audit quality variable has a negative coefficient of -0.32 with a significance level of less than 5% (0.013), also demonstrating an inverse and significant relationship with the risk of lawsuits against the auditor. The control variables show a significance level of less than

5%, indicating a significant relationship with the dependent variable (excluding loss-making firms).

McFadden's coefficient is calculated at 36%, suggesting that 36% of the changes in the dependent variable are likely to fall between zero and one. The LR statistic is 466.16, with a significance level of less than 5%, indicating that the fitted model is valid.

According to the results of Table 8, it can be seen that the accuracy percentage of model prediction in the research models is more than 50%, which indicates the desirability and accuracy of the model.

Table(7). Result Test The Second hypothesis

$LIT\ SCORE_{j,t} = \beta1 + \beta_2 STATE_{i,t} + \beta_3 SPECIAL_{i,t} + \beta_4 (STATE_{i,t} \times SPECIAL_{i,t}) + \beta_5 LEV_{i,t} + \beta_6 MB_{i,t} + \beta_7 ROA_{i,t} + \beta_8 SIZE_{i,t} + \beta_9 LOSS_{i,t} + € _{i,t}$				
Variable	**Coefficients**	**standard error**	**z statistic**	**Sig**
STATE	0.27	0.117	2.31	0.020
SPECIAL	-0.32	0.133	-2.47	0.013
STATE * SPECIAL	-0.99	0.31	-3.20	0.0014
SIZE	0.48	0.055	8.62	0.0000
ROA	3.81	0.70	5.44	0.0000
MB	-0.31	0.030	10.12	0.0000
LOSS	-0.15	0.21	-0.70	0.48
LEV	5.42	0.43	12.59	0.0000
Width from the origin		-8.56	10.51	0.0000
Other information statistics				
LR statistics			466.16	
significance level(Prob.)			0.0000	
McFadden coefficient			0.36	

Table 8: Accuracy percentages of model predictions

model name	Dependent variable name	Total forecast
(irst modelF) Percentage accuracy of model prediction	The risk of lawsuits against the auditor	70.63percent
Percentage accuracy of model prediction (second model)	The risk of lawsuits against the auditor	71.30percent

Research Results

The purpose of this study was to investigate the effect of political communication on the risk of lawsuits against auditors by considering the role of audit quality. The main hypothesis of the research indicates that there is a relationship between political communication and the risk of lawsuits against auditors. The examination of the first hypothesis revealed that political communication has a direct and significant relationship with the risk of lawsuits against auditors, as evidenced by a positive coefficient and a significance level of less than 5%. This suggests that as authorities interfere with firms and influence their financial statements, the likelihood of lawsuits against auditors increases.

Investors and stakeholders rely on auditors to ensure the accuracy and transparency of financial statements. If auditors fail to detect financial irregularities or fraud, stakeholders may hold them accountable, leading to losses or even bankruptcy. However, auditors can mitigate this risk by being experienced, unbiased, and diligent in their duties. By identifying and reporting any violations of the law or stakeholders' interests, auditors can limit government influence and reduce the risk of future lawsuits.

The results of the first hypothesis align with previous studies by Khajavi et al. (2021), Khaksar et al. (2021), Khalil et al. (2021), and Hussein et al. (2020), which all suggest that political relations can impact the quality of auditing and increase the risk of lawsuits against auditors.

The second hypothesis of the research examines auditors' expertise as a factor in audit quality. It aims to determine whether enhancing audit quality through expert resources can decrease the influence of authorities, ensuring thorough scrutiny and timely disclosure of all key items in financial statements, and subsequently reducing the risk of auditor lawsuits. The statistical analysis in the fourth chapter revealed that the interaction of audit quality with political communication had a significant impact on the risk of litigation against auditors, with a negative coefficient and a significance level below 5%. Furthermore, a negative coefficient and a significance level below 5% indicated a significant inverse relationship between audit quality and the risk of lawsuits against auditors. Improving audit quality by employing expert staff can not only enhance the quality of financial reports issued to the capital markets but also reduce the risk of lawsuits against auditors.

The credibility of financial statements presented to the market and the auditor's statement plays a crucial role in decision-making for capital market agents and firm stakeholders. Transparency and accuracy in financial reporting are essential for investors to make informed decisions. However, when financial statements lack transparency or do not accurately reflect a firm's reality, the risk of lawsuits against auditors increases. In every industry within the capital market, there are audit firms specializing in specific sectors. These firms possess expertise in the industry's financial statements, activities, and standards, reducing the risk of lawsuits by providing accurate assessments and insights.

The interactive relationship between an auditor's expertise and political connections can significantly impact the risk of lawsuits. By increasing their expertise and focusing on specific industries, auditors can familiarize themselves with industry-specific financial statements and standards, improving the quality of their work and minimizing future uncertainties. The findings of this study align with previous research by Hook et al. (2020), Yuan and Zhang (2016), Rahimian et al. (2018), and Salehi and Abdoli (2018), which suggest that enhancing audit quality and auditors' expertise can mitigate the risk of lawsuits.

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