



Investigating the relationship between independence and expertise of the Audit Committee manager with disclosure of intellectual capital of companies accepted in Tehran Stock Exchange

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ABSTRACT

Objective: The purpose of this study was to investigate the relationship between independence and specialty of the director of the audit committee with the disclosure of intellectual capital of the companies admitted to the Tehran Stock Exchange. **Methodology:** The research method used is a descriptive correlational survey. The statistical sample of this study included 80 companies participated in the Tehran Stock Exchange and the method of systematic sampling was systematic. **Results:** The research data were collected in two ways: library and facsimile, and the tools used in T-Shirzad software and Comprehensive Information Bank of Tehran Stock Exchange. Also, for data analysis, data integration method using Eviews software has been used. **Conclusion:** The results showed that there is a significant relationship between independence and expertise of the director of the audit committee with the disclosure of intellectual capital in the companies admitted to Tehran Stock Exchange.

1. Introduction

Since the formation of itself in the early 1940s, audit committees have played an important role in managing corporate companies, and the importance of the contributions they have made is more evident in recent years. The audit committees are considered by the body guards; To be honest, the financial status of public corporations is reassuring. From the point of view of the law, government agencies have the power to regulate securities issuers, the stock market, and the SEC's Securities Commission, in setting up and monitoring the Public Audit Committee, from the beginning of their formation, has contributed effectively (DeZoort et al., 2002).

However, the stock markets, as self-regulatory bodies, have played a role in shaping the details of the regulations that the SEC had imposed, and the audit committees should follow them, However, apart from those legal and regulatory requirements, the set of best practices resulting from joint efforts by professional leaders, such as lawyers, investment, and auditors, was also very effective (McMullen and Raghunandan, 1996).

The public accounting profession through the American Association of Certified Accountants has also been a long-term supportive activity of the need for the critical role of the audit committees. Due to the severity of the emphasis on corporate governance in the previous millennium, especially those companies that have been invested by the public, Audit committees have received a lot of attention in many non-profit organizations and their influence on organizations has been in line with this trend (Chahine and Safieddine, 2011).

1.1 Background research

Jamei (2015) explores the relationship between the financial expertise of the members of the audit committee and the predictive features of management revenue. In this study, the data of 95 companies accepted in the Tehran Stock Exchange, which have an audit committee, were collected and hypotheses

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have been tested using regression coefficient analysis. Evidence suggests that the financial expertise of the members of the audit committee has a positive correlation with the prediction of earnings. In other words, it can be said that the presence of financial expert members in the audit committee increases the financial reporting quality and reliable information is at the disposal of the management, and the profit forecast is more accurately estimated. Also, the results showed that the financial expertise of the members of the audit committee has a negative relationship with the dispersion of negative profit forecasts.

Fakhari (2014) investigated the effectiveness of the audit committee in managing earnings on accrual reporting financial statements. Given the widespread phenomenon of public ownership in companies and business entities as stakeholders (both familiar and disgruntled with financial matters and legal aspects of the issue), corporate executives are more than obliged to maintain the interests and responsibility of responding to investors. Know Along with the major financial crises and scandals in different countries, today one of the main considerations and mechanisms in the management, control and supervision of corporate affairs at micro and macro level is the formation of audit committees. The Audit Committee as the Supervisory Board of the Board has a greater opportunity to address the issues of financial reporting and internal control. Research has shown that the creation and application of audit committees in preventing unlawful acts, improving the financial reporting process, and providing transparent and reliable financial information and reporting are effective. The purpose of this paper is to describe the characteristics of the audit committee and its relationship with the quality of financial reporting. In addition, it examines the effectiveness of audit committees in the context of improving the quality of financial information.

Beheshti Langroudi (2013) investigated the relationship between corporate governance and intellectual capital of financial intermediary institutions. The purpose of this study is to examine the relationship between corporate governance and intellectual capital in financial intermediary institutions such as banks and insurance companies. In this regard, the relationship of some of the components of corporate governance with the possibility of financial distress on the basis of the Altman Index in 29 financial intermediary institutions (including 20 insurance companies and 9 banks accepted in the Tehran Stock Exchange) for the years 2008 to 2010 Reviewed. In this research, the components of corporate governance including the ratio of members of the board of directors, the existence of risk committees and auditors, and the presence of institutional shareholders, as well as the percentage of government ownership as independent variables and intellectual capital in the investigated institutions, have been introduced as a dependent variable. Also, the specific benefit and assets of financial intermediary institutions at the end of each financial period are used as control variables in the research pattern and for testing hypotheses, simple regression and multiple regression models are used (Collier and Gregory, 1996).

Research findings indicate that there was no significant relationship between the ratio of non-executive board members and intellectual capital in the financial intermediary institutions. However, there is an inverted relationship between the existence of risk and audit committees as well as the presence of institutional stakeholders with intellectual capital. Also, according to the research findings, the direct relationship between the percentage of government ownership in the investigated institutions and intellectual capital has been confirmed according to the operational definition of the research in this regard (Turley and Zaman, 2007).

Jalili (2012) investigated the relationship between the disclosure of intellectual capital and the type of ownership and size of companies admitted to the Tehran Stock Exchange. In order to determine the amount of information disclosure of intellectual capital, the content analysis method, and also to examine the relationship between disclosure rate and ownership type of shares and firm size were used by Spearman correlation test. The research sample consisted of 50 companies listed in Tehran Stock Exchange for two consecutive years of 2008 and 2009. The results of hypothesis testing show that in 2008, foreign capital and in 88, human capital had the highest disclosure, and there was a significant relationship between the amount of information disclosure of intellectual capital and the type of stock ownership and size of the company.

Yousefi Azar (2012) investigated the effectiveness of the audit committee in improving the quality of financial reporting. Given the widespread phenomenon of public ownership in companies and business entities as stakeholders (both familiar and disgruntled with financial matters and legal aspects of the issue), corporate executives are more than obliged to maintain the interests and responsibility of responding to investors. Know along with the major financial crises and scandals in different countries, today one of the main considerations and mechanisms in the management, control and supervision of corporate affairs at micro and macro level is the formation of audit committees. The Audit Committee as the Supervisory Board of the Board has a greater opportunity to address the issues of financial reporting and internal control. Research has shown that the creation and application of audit committees in preventing unlawful acts, improving the financial reporting process, and providing transparent and reliable financial information and reporting are effective. The purpose of this paper is to describe the characteristics of the audit committee and its relationship with the quality of financial reporting. In addition, it examines the effectiveness of audit committees in the context of improving the quality of financial information (Salehi and Shirazi, 2016).

2. Materials and methods

2.1 Type of research method

The present research is categorized in terms of purpose, is an applied research, and descriptive research is classified according to the method. Descriptive research is a correlation type because it examines the relationship between independent and dependent variables. Due to the impossibility of controlling all irrelevant variables and the use of historical information to test the hypotheses, this research can be classified as quasi-experimental-post-event research in terms of data collection. In these designs, data is provided from an environment that exists naturally or from a fact that has occurred without direct intervention by the investigator (Feizizadeh, 2012).

2.2 Method and tool for collecting information

In this research, library and documentary studies were used to collect the required data and information. Therefore, theoretical foundations and research literature are collected from the Latin and Persian specialized books and magazines. Then, the data needed to test the research hypotheses by referring to the financial statements and explanatory notes of selected companies, compact discs, visual and statistical archives of the Tehran Stock Exchange, the Stock Exchange web site and other related sites as well as software Tedbirzar and the new rationale are extracted.

The data is prepared for analysis after collecting and moving to the Excel spreadsheet and applying the necessary calculations. Eviews economists software is used to analyze the data.

2.3 Information analysis method

2.3.1 Eviews software is used to analyze the data

In this research, a study on the relationship between independence and the management of the Audit Committee's expertise with the disclosure of intellectual capital in listed companies in Tehran Stock Exchange is discussed. To this end, a cross-sectional method has been used to show the relationship between independence and the specialist committee of the audit committee with the disclosure of intellectual capital in companies accepted in Tehran Stock Exchange.

2.4 Research hypotheses

- There is a meaningful relationship between the independence of the audit committee and the disclosure of intellectual capital.
- There is a significant relationship between the expertise of the Audit Committee manager and the disclosure of intellectual capital.

Regression model of research.

$$ICD_{it} = \beta_0 + \beta_1 ACIM_{it} + \beta_2 AUDACC_{it} + BS_{it} + AQ_{it} + \varepsilon_{it} \quad (1)$$

In this regard, ICD, Intellectual Capital Disclosure, ACIM, Independence Audit Committee, AUDACC, Audit Committee Managerial Specialty, Company Size BS (logarithms of normal number per annum), and QUALITY are audit quality.

3. Discussion and results

3.1 Descriptive Statistics

In order to study the general characteristics of the variables, as well as to estimate the model and its exact analysis, descriptive statistics about the variables are required to be familiar with. Descriptive statistics are used to calculate the parameters of the society and include the central indicators and the distribution of society and ... Not. In Table 1, the descriptive statistics of the variables including average, mean, maximum, minimum, standard deviation and ... are presented. For example, for the ACIM's independence variable, the average, maximum, minimum, and standard deviations are 5.3214, 3.000, 0.000, and 2.0112, respectively.

Table 1. Descriptive statistics of research variables

	Exposing Intellectual Capital	Independence of the Audit Committee	Specialty Director of the Audit Committee	size of the company	audit quality
Average	1.5364	5.3214	3.0241	8.482	2.846
the most	1.000	3.000	4.000	24.056	1.000
The least	0.000	0.0000	0.0000	4.382	0.000
Standard deviation	0.4151	2.0112	2.386	3.479	0.312
Skew coefficient	-1.316834	-0.0440	1.01256	1.682	0.521
observations	240	240	240	240	240

3.2 Test results of research hypotheses

The results of the estimation of the research model are presented in the following table,

$$ICD_{it} = \beta_0 + \beta_1 ACIM_{it} + \beta_2 AUDACC_{it} + BS_{it} + AQ_{it} + \varepsilon_{it} \quad (2)$$

Table 2. Summary of statistical results of the research model test

Significance level	Statistics t	Standard deviation	Coefficients	Variable
0.0000	-12.3854	0.8241	-8.6351	(Width from source) B_3
0.0006	3.4814	0.0064	0.0041	Independence of the Audit) $ACIM_{it}$ (Committee)
0.0058	1.4632	0.0127	0.0136	Specialty Director of) $AUDACC_{it}$ (the Audit Committee)
0.0000	10.8341	0.1452	1.8521	(size of the company) BS_{it}
0.0000	3.6541	0.1178	0.6851	(audit quality) AQ_{it}
0.0000	The significance level of the F statistics		10.274	F Fisher Statistics
2.3014	Watson Camera Statistics		0.6851	The coefficient of determination

Prior to testing the research hypothesis based on the results, we must ensure the accuracy of the results.

For this purpose, F test was used to examine the significance of the whole model. Regarding to the significance level of the calculated F statistic (0.0000), it can be claimed that the fitted regression model is significant.

According to the coefficient of fitting the fitted model, it can be claimed that about 69% of the changes in the dependent variable of the model (disclosure of intellectual capital) are explained by independent variables.

4. Conclusion

4.1 Results of research hypotheses:

The first hypothesis:

H0: There is no meaningful relationship between the independence of the audit committee and the disclosure of intellectual capital.

H1: There is a meaningful relationship between the independence of the audit committee and the disclosure of intellectual capital.

The coefficient of estimation of ACIM independent variable in the above table indicates that there is a positive and significant relationship between the independence of the Audit Committee and the financial crisis at an error level of 0.05. Because the calculated p-value for the coefficient of this independent variable is less than 0.05. Therefore, there is a positive and significant relationship between the independence of the audit committee and the disclosure of intellectual capital at a 95% confidence level. Therefore, the first hypothesis of the research is confirmed.

Second hypothesis:

H0: There is no significant relationship between the specialty of the audit committee director and the disclosure of intellectual capital.

H1: There is a significant relationship between the specialty of the Audit Committee manager and the disclosure of intellectual capital.

The estimated coefficient of the AUDACC independent variable in the table above indicates a negative and significant relationship between the expertise of the Audit Committee manager and the disclosure of intellectual capital at an error level of 0.05. Because the calculated p-value for the coefficient of this independent variable is less than 0.05. Therefore, it can be said that there is a positive and significant relationship between the specialty of the Audit Committee manager and the disclosure of intellectual capital at 95% confidence level. Therefore, the second hypothesis of the research is confirmed.

4.2 Results of control variables:

The coefficient of estimation of the independent variable SIZE in the table above shows that there is a positive and significant relation between the size of the company and the disclosure of intellectual capital at the error level of 0.05. Because the calculated p-value for the coefficient of this independent variable is less than 0.05. Therefore, there can be a positive and significant relationship between firm size and disclosure of intellectual capital at 95% confidence level.

The coefficient of estimation of the independent variable AQ_it in the table above shows that there is a positive and significant relationship between audit quality and disclosure of intellectual capital at the error level of 0.05. Because the calculated p-value for the coefficient of this independent variable is less than 0.05. Therefore, it can be said that there is a positive and significant relationship between audit quality and disclosure of intellectual capital at 95% confidence level.

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