Investigating the relationship between the expertise and size of the audit committee by disclosing the intellectual capital of the companies admitted to the Tehran Stock Exchange

Rahim Heydari[1] and Samad Ayazi[2*]

1Department of Management and Accounting, Aliabad katoul Branch, Islamic Azad University, Aliabad Katoul, Iran

2Department of Management and Accounting, Aliabad katoul Branch, Islamic Azad University, Aliabad Katoul, Iran

ABSTRACT

The purpose of this study was to investigate the relationship between the expertise and size of the audit committee and the disclosure of intellectual capital of the companies admitted to the Tehran Stock Exchange. 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. 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. The results showed that there is a significant relationship between the expertise and size of the audit committee with the disclosure of intellectual capital in the companies listed in Tehran Stock Exchange.

* Corresponding author: **Samad Ayazi**
Samadayazi2@yahoo.com

Introduction

The Audit Committee is an essential part of the corporate finance reporting process. Its main responsibility is to monitor the financial procedures and financial reporting controls applied by the management to protect the rights of shareholders and other stakeholders, which is made on behalf of the board of directors. Through auditing effectively and consciously, auditing committees play a valuable role in helping to foster market confidence in high-quality financial reporting, and is one of the main cornerstones of corporate reporting value reporting. According to Article 10 of the Internal Controls Manual for publishers admitted to Tehran Stock Exchange and Overseas Iran, senior management of the company should establish an audit committee under the supervision of the board of directors in accordance with the rules of the Securities and Exchange Organization. The members of the audit committee should consist of three to five members, and the majority of them are independent and financially qualified. The chair of the committee is an independent member or non-executive member of the board of directors. In addition, the company should establish an internal audit unit under the supervision of the audit committee (Momenzadeh, 2011).

The emergence of a knowledge-based economy and knowledge-based competition have led organizations to consider the organization of knowledge assets and the perceived strategic value of it. In today's world economy, knowledge has become the most important alternative to financial and physical capital. As it is considered as the main input of the economy and its most important consequence; in this period, the success of organizations depends on the acquisition of intangible assets whose achievement can lead to a sustainable competitive advantage, Hence, intellectual capital, a combination of intangible resources and activities that allows organizations to recreate their financial, material and human resources in order to create value, has become an important factor in the development of thoughtful, most valuable assets and the most powerful competitive weapon. Has been. The thinkers of intellectual capital consider an organization as an intangible and intangible resource and an asset that the organization pays to value through its transformation into new processes for the production of goods and services (Mohammadi, 2014). In a new strategic environment, learning organizations that aim at continuously improving intellectual capital will be further developed. From the advantages of measuring the size of intellectual capital, identifying and identifying intangible assets, identifying knowledge flow patterns in the organization, prioritizing key knowledge issues, speeding up organizational learning patterns, creating a functional culture, etc., can be cited. But despite the growing importance of intellectual capital as a vital source of corporate competition, there is a limited understanding of it. Meanwhile, the measurement and management of intellectual capital allows organizers to create, develop, control and maintain a valuable source of competitive advantage, something that can not easily be captured by competitors. The current methods of evaluation in financial accounting are geared to the past, including the characteristics of the audit committee, the size of the committee, the frequency of meetings, the independence of the members, the percentage of ownership of the committee members in the company and the expertise of the members. The effect of these features on the development and disclosure of intellectual capital is discussed below. Hence, the executive board members will advise members of the audit committee to delegate responsibilities, such as: the process of internal control of companies and corporate financial reporting. All of this is to monitor high-level executives and control systems to improve corporate performance. In short, the Audit Committee should help board executive members in the effectiveness of management oversight (Davidson, 2003).

With the help of corporate governance, the audit committee is responsible for the process of financial reporting, the structure of internal control, internal audit standards and outsourcing audit activities (Rezaei, 1392). Therefore, the main question of the present research is whether there is a meaningful relationship between the audit committee and corporate disclosure of intellectual capital?

background research

- Parker and Peter (2013) reviewed a study between the financial reporting quality and the audit committee's specificity. By doing this, they found that the false presentation of financial statements in companies with an audit committee with less financial expertise is less. In other words, in companies with an audit committee consisting of non-executive members of a low-finance board, false financial statements are presented.

- Frankenley and Heinz (21013), as a result of the emphasis on the growing importance of ICs and related information at the board and AC levels, report on increasing the focus on intangible asset issues by the AC Chief.

- Jing Li and colleagues (2012) explored the impact of the Audit Committee on disclosure of intellectual capital. In this study, the data of 100 companies accepted by the audit committee were collected and the hypotheses were tested using regression coefficients. Results showed that there is a significant relationship between the characteristics of the audit committee on the disclosure of intellectual capital.

- Lee and colleagues. (2011) shows that the corporate governance mechanism, in particular the board structure, is important in shaping the corporate disclosure strategy of corporate ICEs. The corporate governance laws of the British corporation provide a key boarding board view of an understandable and balanced assessment of business performance, Position and vision Which involves providing an interpretation of the principles that the company produces or maintains over time in value and strategies that target the company. Smith Ripert and the ACE Ribbon Group are seen as the ultimate control of the corporate reporting process. It is also considered as a control mechanism that reduces the asymmetry of information between management and outside members of the board. Further evidence suggests that AC plays an important part in ensuring that social and environmental reporting is interfering with IC.

- McMullen (2010) explores the negative relationship between the multiplicity of audit committee meetings and the financial crisis of banks. The results show that the number of meetings of the audit committee has a negative

and significant relationship with the financial crises of the banks (Sig. <0.05). In addition, the findings indicate that the financial crisis is not significantly related to the size of the bank. These results indicate that the Audit Committee in financially non-crisis banks has been more active than the Audit Committee in crisis banks. The results show (McMullen, 2010) that the regular audit committee auditing will be effective and ensure the continuity of the financial reporting process.

- Rahmat (2009) explores the relationship between the composition of audit committee members and the banks' financial crisis. The composition of the members of the audit committee is significantly related to the financial crisis. These findings (Mercy, 2009) show The composition of the audit committee members is negatively related to the possibility of entering the financial crisis. The results show that the financial crisis is not significantly related to the size of the bank, and it is suggested that the size of the bank does not affect the likelihood of entering the financial crisis.

- Fama and Jensen (2005) argue that the separation of ownership and control in the modern company creates information asymmetries between managers and foreign investors, which increases the cost of representation, such as a reduction in the liquidity of its shares, management reputation, And higher costs of capital.

Research Methodology

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.

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.

Information analysis method

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.

Research hypotheses

-There is a significant relationship between the expertise in the audit committee and the disclosure of intellectual capital.

- There is a meaningful relationship between the size of the audit committee and the disclosure of intellectual capital.

Regression model of research

To test the research hypotheses, the following model is used:

$$\text{ICD}_{it} = \beta_0 + \beta_1 ACFL_{it} + \beta_2 AUDSIZE_{it} + BS_{it} + AQ_{it} + \varepsilon_{it}$$

In this regard, ICD, Intellectual Capital Disclosure, ACFL Expertise in the Audit Committee, AUDSIZE_{it} is the size of the Audit Committee, the company size BS (logarithms of the normal number in the year), and QUALITY are the quality of the audit.

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.

Table 1 Descriptive statistics of research variables

	ICD	*ACFL*	*AUDSIZE*	*BS*	*QUALITY*
Average	*1.5364*	*3.0128*	*6.486*	*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*	*3.754*	*4.895*	*3.479*	*0.312*
Skew coefficient	*-1.316834*	*0.2414*	*0.1788*	*1.682*	*0.521*
observations	*240*	*240*	*240*	*240*	*240*

Test results of research hypotheses
Results of the research model
The results of the estimation of the research model are presented in the following table.

$$ICD_{it} = \beta_0 + \beta_1 ACFL_{it} + \beta_2 AUDSIZE_{it} + BS_{it} + AQ_{it} + \varepsilon_{it}$$

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_0
0.0164	1.0048	0.0016	0.0147	Expertise in the Audit) $ACFL_{it}$ (Committee
0.0008	1.3001	0.0146	0.124	The size of the audit) $AUDSIZE_{it}$ (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 (Exposing Intellectual Capital) are explained by independent variables.

Results of research hypotheses:
The first hypothesis:
H0: There is no meaningful relationship between the expertise in the audit committee and the disclosure of intellectual capital.
H1: There is a significant relationship between the expertise in the audit committee and the disclosure of intellectual capital.
The coefficient of estimating the independent variable ACFL in the table above shows that there is a positive and significant relationship between the expertise in the audit committee and the disclosure of intellectual capital at a level of error 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 expertise in the audit committee with the disclosure of intellectual capital at the 95% confidence level. Therefore, the first hypothesis of the research is confirmed.
Second hypothesis:
H0: There is no meaningful relationship between the size of the audit committee and the disclosure of intellectual capital.
H1: There is a meaningful relationship between the size of the audit committee and the disclosure of intellectual capital.
The estimated coefficient of the independent variable AUDSIZE in the table above shows a positive and significant relationship between the size of the audit committee 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, there can be a positive and significant relationship between the size of the audit committee and the disclosure of intellectual capital at a 95% confidence level. Therefore, the second hypothesis of the research is also confirmed.

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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