EVALUATING THE EFFECT OF CORPORATE GOVERNANCE ON AUDITING COSTS AT THE COMPANIES THAT ACCEPTED AT TEHRAN STOCK EXCHANGE

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Abstract
The main purpose of this study **is** evaluatethe effect ofcorporate governanceonauditingcosts. The population of this study are the companies that accepted at Tehran stock exchange since 2008. And 180 companies were selected as sample.The sampling method of this study isprobability-simple random sampling. In order to analyze the data, we used deductive and descriptive statistical methods. The results K-S Test shows the test distribution is Normal. So we can use Multi Regression to test the hypothesis of the research. Findings show that the amount ofsig is equal 0.000at95% confidence levelisless than 5%. Therefore,assuminga linearregression modelwas significantandthemodelisconfirmed.Also, confidence level of independent variables, the level ofcorporate governance(board independence) (0.563), indicating no relationship betweenboardindependenceandauditcostat the0.95. So, we can confirm H_0.

Keywords: corporate governance,auditingcosts, board independence

INTRODUCTION

Some companies have major operations in countries requiring a unitary board as well as in countries that mandate a two-tier board – in such cases, it may be possible to structure the company in a way that incorporates features of both systems. For example, a company may have two holding companies (one in each country) and two boards of directors that operate as one and are comprised of people who are directors of both holding companies. The two holding companies may enter into agreements to equalize the rights of shareholders of both companies with respect to dividends, voting and liquidation, and may also guarantee each other's borrowings. In addition, shareholder resolutions passed at one holding company may be made conditional on approval at the other holding company, such as director elections. A separate proxy statement is issued for each annual meeting, while it may be possible to produce a combined annual report, provided both sets of regulators agree that the contents satisfy all applicable regulatory requirements. Other companies may instead interpose a holding company

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with one board of directors beneath the two ultimate holding companies, withshareholders owning shares in the holding company (Gurría, 2008).

Owing to the separation of ownership and control(and the resulting agency problems) in the modernbusiness world, a system of corporate governance is necessary, through which management is overseen and supervised to reduce the agencycosts and align the interests of management withthose of the investors. While there is no generallyaccepted definition, corporate governance may bedefined as a system 'consisting of all the people,processes and activities to help ensure stewardshipover an entity's assets' (Messieret al., 2008: 36).

The Company assumes a set of values that reflect its wager in connection with good governance, corporate ethics, and corporate social responsibility, in line with its vision of being "the preferred global energy company because of its commitment to the creation of value, qualify of life, the safety of people and of supply, the protection of the environment, and customer focus." In this regard, the Company has a modern, dynamic, and demanding Corporate Governance System (IBERDROLA, 2014).

Corporate governance is, "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations." It encompasses the mechanisms by which companies, and those in control, are held to account (HIH Royal Commission, 2003).

Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed,and how performance is optimized. Effective corporate governance structures encourage companies to create value, through entrepreneurialism, innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved (ASX, 2007).

methods and techniques of 'cost accounting' and audit of 'cost accounts' in India can be traced back to the year 1925, when large number of firms were given contracts by the Government of India on "cost plus" basis and the Government started verifying and investigating the cost structure of such firms.

Cost audit is the audit of cost records. According to Chartered Institute of Management Accountants, London (CIMA), cost audit is "the verification of the correctness of cost accounts and of the adherence to the cost accounting plan". In other words, cost audit is the verification of the cost of production of any product, service or activity on the basis of accounts maintained by an enterprise in accordance with the accepted principles of cost accounting. This definition of Cost Audit is relevant to the voluntary Cost Audit without any statutory backing.

The cost audit of the companies under the relevant provisions of the Companies Act, 1956 has the following features:

1) Assessing compliance of the relevant cost accounting records rules as applicable to the product under review;
2) Study of the costing system to assess whether it is adequate for the cost ascertainment of the product under review;
3) Evaluation of the operating and other efficiencies of the organization under audit with special reference to the product under review; to ensure the submission of necessary details required under the Cost Audit Report Rules, 2001 as amended from time to time.
4) Submission of Cost Audit Report in the format prescribed.

Since cost audit is carried out under the various provisions of the Companies Act, 1956, a thorough and comprehensive knowledge of the Indian Companies Act including various rules

prescribed thereunder and the circulars issued by the Ministry of Corporate Affairs is essential for conducting an effective Cost Audit (GROUP, 2010).
According to the Institute of Cost and Management Accountants of England, cost audit represents the verification of cost accounts and a check on the adherence to cost accounting plan. Cost audit, therefore, comprises:

a) verification of the cost accounting records such as the accuracy of the cost accounts, cost reports, cost statements, cost data and costing techniques, and
b) examination of these records to ensure that they adhere to the cost accounting principles, plans, procedures and objectives.

It, therefore, means that the cost auditors attention and approach should be to see that the cost accounting plan is in consonance with the objectives set by the organization and the system of accounting is geared towards the attainment of the objectives. A cost accounting system designed to exercise control over cost may be different from the one if the objective is to fix price. The cost auditor should examine whether the methods laid down for ascertaining expenses as direct or indirect are cases in point. The cost auditor should also establish the correctness or otherwise of the figures by the processes of vouching verification, reconciliation etc.
Cost audit will prove to be useful to the management, society, shareholders and the government. The advantages are as under:

- To Management
- To Society
- To Shareholder
- To Government (Ramaswamy, 2001).

This research has done atfirms listedinTehran Stock Exchange *to evaluate*the effect ofcorporate governanceonauditingcosts.

METHOD

The main purpose of this study **is** evaluatethe effect ofcorporate governanceonauditingcosts.The population of this study are the companies that accepted at Tehran stock exchange since 2008 and had this characteristics:

- Fiscal year is end March 19
- Among thenotinvestmentcompanies.
- The companies did not have a trading halt.
- Report ofthe Auditor'scostis given.
- During the years 2008 to 2013 be presentedannual Audited financial statements.

So, with considering this situation, 180 companies were selected as sample.The sampling method of this study isprobability-simple random sampling.
In order to analyze the data, we used deductive and descriptive statistical methods. The results K-S Test shows the test distribution is Normal. So we can use Multi Regression to test the hypothesis of the research. The SPSS tool has been used.

RESULTS AND CONCLUSION

A) Deductive Results

Table 2 to shows the deductive results of variables of this research.

ElongationFactorerror	Elongation	Error ofskewnesscoefficient	Skewness	Range	Standard deviation	Average	Maximum	Minimum	Observations	variables
.301	.336	.151	.235	.760	.87167	.5183	3.32	-2.13	180	LNFEE
.313	-.344	.157	.144	2.183	1.47761	11.1626	.63	.12	180	GOV
.298	12.114	.150	-2.525	.144	.37975	.5226	.88	.290	180	TOBIN
.298	-.470	.150	.329	.009	.09591	1.7518	1.98	1.56	180	SIZE
.410	9.596	.206	-2.621	.570	.75529	-.6336	.43	.100	180	RECINT
.301	.590	.151	.753	.501	.70808	3.9218	.29	0.50	180	INVINT

B) Hypotheses Results

In this paper we have one main hypotheses and one sub-hypotheses. The statistical way of analysis of hypotheses is two ways, H_1 is acceptance of hypothesis and H_0 is rejecting of hypothesis. In other words, it means that H_1 has positive meaning and H_0 has no meaning.

- H_1: Companies with corporate governance mechanisms have lower audit cost.
- H_0: Companies with corporate governance mechanisms have not lower audit cost.

Table 3 shows that Multi Regression analysis has been done in order to determine the effect ofcorporate governance as independent variable and audit costas dependent variable.

Lnfeeit = β0 + β1 Gov it + β2Tobino it + β3 Big it + β4 Firmsize + β5 Loss it+ β6 Recint it + β7 InuintQit+ β8Subit +e

Table3, Multi Regression of the independent and dependent variables

Explanatory variable	Coefficient	t	sig	Results
Constant	-14.482	-7.608	.000	H_1
GOV	.089	.581	.563	H_0
TOBINO	-.250	-2.122	.036	H_1
BIG	.433	1.506	.135	H_0
FIRMSIZE	.390	2.825	.006	H_1
LOSS	.646	2.493	.014	H_1
RECINT	.341	2.827	.005	H_1
INUINTQIT	13.767	13.493	.000	H_1
SUBIT	.341	2.827	.005	H_1
D.W= 1.824	Sig: 0.000	R2 = .671		

According to thetable,it isobservedthat the amount ofsig is equal 0.000at95% confidence levelisless than 5%. Therefore,assuminga linearregression modelwas significantandthemodelisconfirmed.

Confidence levelof independent variables, the level ofcorporate governance(board independence) (0.563), indicating no relationship betweenboardindependenceandauditcostat the0.95. So, we can confirm H_0.

Thevalue ofboardindependencecoefficient isequal to (0.034)which indicatesisveryweak but positiverelationshipbetweenboardindependenceandauditcost.
These results are contrary to the results of Lin et al (2009), Gorhami et al (2009), H. et al (2010), and Wings Wu (2012). But are the same as the HassasYeganeh et al (2008), Alaviet al (2013), Rezazadehet al (2007) and Nikbakhtet al (2011).

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