RELATIONSHIP BETWEEN AUDIT QUALITY AND RISK-TAKING IN THE PROCESS OF CREATING VALUE FOR COMPANIES

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ABSTRACT

Auditing quality is an issue that is of great regulatory importance and is a pioneer in protecting investors, because if not managed properly, it can lead to mismanagement of minority shareholder resources by managers. The purpose of this study is to investigate the effect of audit quality and risk on value creation. The variables examined for audit quality in this study are the auditor's expertise, the auditor's tenure, the size of the audit firm, the Ownership concentration, and the ratio of non-mandatory members. For this purpose, information about the member companies of the stock exchange during the 5-year period from 2015 to 2020, after performing the necessary statistical tests using linear regression and by 10Eviews and 25SPSS software to the test. We hypothesized. In this study, multivariate regression method has been used as a statistical method. The results show that among the audit quality factors, if the risk is not considered, only the size of the audit firm affects the value of the company, and if the risk of the company is affected, the size of the audit firm, the auditor tenure risk and the risk of the ownership concentration. It can affect the value of a company.

INTRODUCTION

Investment is recognized as one of the basic pillars of the economy in any society, and the expansion of production, as one of the first stages of development, certainly depends on increasing investment. Along with the development of the capital market, which is headed by the Iranian Securities and Exchange Organization, a considerable amount of investors' assets is constituted of the shares of companies listed on the stock exchange. One of the most important factors that influence domestic investment decisions is the scope of risk-taking, as most of investment managers are currently concerned with the accuracy of risk assessment and consequently risk management. Accordingly, investors consider the scope of risk in their investment decisions. Therefore, being aware of the factors

affecting investment risk and their extent is of particular importance to investors, because in this way they can prepare for a better investment planning. We can define risk-taking as "performing any activity that has at least a vague result." Risk-taking, on the other hand, refers to the degree of uncertainty that is related to the expected results and the associated cash flow has occurred due to new investments.

On the other hand, the importance of investment for economic and social growth and development is because of its being one of the strong levers for achieving development. But we must remember that just as paying attention to this issue can lead to economic growth and prosperity by falling into a positive circle, not paying attention to it can also lead to an economic decline and being in a downward trend. Therefore, the economic growth and increasing public welfare in the long run is not possible without considering the investment and the important factor in the investment environment that affects it (Abzari et al., 2008).

Considering the importance of risk in the national economy, we examine the impact of audit quality indicators including the size of the audit firm, the auditor's expertise in the industry, and the continuity of the auditor selection on the investment risk. These factors cause a change in investment risk due to their impact on the transparency of the financial reporting environment, reducing information asymmetry, and company value (Sajjadi et al., 2013). Auditing corrects the destructive effects of separation of ownership from management by reducing information asymmetry and representational conflict between users and providers of financial statements. Hence, audit quality is a tool to reduce information risk for users of financial statements. Such a reduction in information risk can create value for shareholders because it assures users of any significant deviations and scams (Furiady and Ratnawati, 2015).

We can say that lack of knowledge of economic factors such as commodity exchange investors, the impact of audit quality and risk-taking in creating value of the business unit and ignoring the factors that can affect the reduction of investment, prevent further development of securities and exchange organizations. On the other hand, creating value and increasing the wealth of shareholders in the long run is one of the most prominent goals of companies and capital market participants. This can only be achieved with optimal performance. It is important to understand the impact of audit quality and risk-taking on value creation in the business units of underdeveloped countries, with the traditional market structures and inefficient capital markets; it leads to better returns and is almost related to value creation. Given the growing importance of audit quality and business unit risk-taking, this study evaluates the impact of factors that are likely to be important in creating value in a business unit.

THEORETICAL FOUNDATIONS AND RESEARCH BACKGROUND

Auditing financial statements creates added value because its results demonstrate the relevance and reliability of financial information. In general, the purpose of auditors is to protect the interests of shareholders against the significant misstatements and errors in the financial statements. Although higher quality auditing can increase corporate risk on the one

hand, it can add value to high quality auditing for shareholders and owners. This is in a situation where by creating reasonable confidence in the statements containing material abuses and manipulation of the reported net profit, the company's resources will be in accordance with the goals of the organization and shareholders, and this will cause shareholders in the company to invest (Lin et al., 2011).

Audit quality

So far, several definitions of audit quality have been provided. In the relevant literature, audit quality is defined as the degree of compliance with established auditing standards. In contrast, accounting researchers consider different dimensions of audit quality that lead to seemingly different definitions. A common definition of audit quality is provided by DeAngelo (1981). He defined the quality of the audit as the assessment and market inference of the auditor's ability to detect material misstatements in the financial statements or the accounting system of the client and to report significant misstatements. Most empirical researches have defined audit quality as audit risk. Various indicators for audit quality have been defined in this research. Factors affecting the quality of the audit, such as the auditor's tenure, the auditor's expertise, the proportion of non-executive members on the board, the ownership concentration and the size of the auditing firm, are considered in terms of their importance. These criteria are currently most widely used in researches to measure audit quality.

Numerous researches indicate that there is a positive relationship between the type of industry that the auditor specializes in and the quality of the audit report. In other words, auditors who specialize in the industry in question can perform audits with a higher quality due to their greater ability to identify and address the specific problems of that industry. In addition, the more experience an audit firm has in a particular industry, the more interested it will be in providing superior quality auditing services due to its positive reputation (Dunn and Mayhew., 2004). Increasing the level of expertise in the industry is one of the working procedures currently used in auditing firms to increase the level of profitability. The auditor's expertise in the industry (ie, creating innovative ideas) helps to provide new approaches and strategies to clients in some areas that some of them face in the industry (Kend, 2008). Although much attention has recently been paid to the auditor's expertise in the industry, there is still no unified measurement criterion (Neal and Riley, 2004). The two main factors for identifying an expert auditor are the market share approach (Balsam et al., 2003; Dunn & Mayhew, 2004), and the portfolio share approach (Krishnan, 2003). Moreover, Neal and Riley (2004) proposed a combined criterion that is a function of market share and portfolio share.

In the market share approach, an auditing firm, which differs from other competitors in terms of market share in a particular industry, is considered as an expert auditor in the industry. Jimmy et al. (2014) found that the auditor's expertise in the industry has a positive effect on two risk-taking criteria, namely standard deviation of stock returns and the results of R&D operations. They then concluded that such effects diminish when companies cease intermittent external monitoring. In their study on the impact of audit policies on audit quality, Randal et al. (2015) concluded

that the auditing policies can indirectly improve the level of audit quality by employing expert auditors.

Independence is the basis and spirit of auditing, and auditing has no value without independence. The trust of the people and the capital market in the auditor is due to his independence, so the factors threatening independence must always be considered. In this regard, one of the areas that has always been discussed in recent decades is the tenure of the auditor (Myers et al., 2003). Sajjadi et al. (2013) argue that the continuity of the auditor selection reduces the independence and quality of the audit: First, the nature of the audit work is such that it creates a constant relationship between the auditor and the management of the unit under auditing. The auditor's long-term relationship with the client may cause the auditor to become too close to the client's management and establish an intimate relationship between them. This intimate relationship may cause the auditor to ignore the mistreatments discovered during the audit work or even to a greater extent cause collusion between the auditor and the client management; this damages the auditor's independence and reduces the audit quality. Second, the continuity of the auditor selection results in a uniform and repetitive audit work for the auditors, which reduces the auditor's professional competence. On the other hand, due to the long-term interaction of management and staff with the auditor, they become familiar with the personal and occupational characteristics of the auditor and can abuse this familiarity to commit violations. Third, the desire to have long-term revenue from the audit fee may cause the auditor to consider client satisfaction as one of the factors influencing his or her decisions in order to remain in office. Choi and Jeter (2016) investigated the effect of the auditor's tenure on the type of audit report. The results of their research during the years 2008-2013 showed that the auditor's tenure has a positive and significant effect on the adjusted audit report.

The size of the auditor at the job scale is the most important quantitative indicator for measuring audit quality. The larger the size of the auditor, the higher the quality of the audit. The size of the auditor means the good reputation of the auditor. Accordingly, the auditor's reputation will increase the reliability of the financial statements information and thus increase the quality of the audit (Chen et al., 2005). Nelson et al. (2011) examined the determinants of the choice of different accounting methods in Tanzania. This study showed that company size and internal credit have a positive relationship with revenue strategy.

Piri et al. (2013) conducted a research on the effect of audit firm size and number of audit firm clients on audit quality. Evaluating the effect of audit firm size on audit quality, they stated that there is a negative relationship between these elements. Sherliza and Nurul (2015) investigated the relationship between corporate ownership structures and audit fees paid to independent auditors by companies listed on the Malaysian Stock Exchange. The results indicate that there is a significant positive relationship between audit costs and larger foreign-owned firms and government ownership, but they have no significant relationship with higher management-owned firms. In his study Madhani (2016) stated that the methods of disclosure of information and corporate governance of a business unit are affected by various internal and external variables, among

which the characteristics of a business unit such as size, age, leverage, etc. have a highest effect on these methods.

Hassas Yeganeh and Moloudi (2011) conducted a research on the impact of institutional shareholders' ownership percentage, their concentration, board rewards, non-executive managers on separation of CEO's tasks, chairman or vice chairman as corporate governance policy with value created for Shareholders and as a measure of performance. Their research showed that: First, in companies that have created value, the relationship between board remuneration and value created for shareholders is direct and significant. Second, in companies that have lost value, the relationship between the level of institutional shareholders' concentration and the value created for shareholders is direct and significant. Third, in companies that have destroyed value, the relationship between the ratio of non-charged managers and the remuneration of the board of directors with the value created for shareholders is inverse and significant. Fourth, there was no significant relationship between the percentage of ownership of institutional shareholders and the separation of the CEO's duties from the chairman or vice-chairman of the board with the value created for the shareholders.

Concentration of ownership is another factor influencing audit quality. The concentration of company ownership arises from the absolute control of the major shareholders in the affairs of the company, because they have the necessary data and can achieve higher returns. Concentration of ownership is another way of governance of large companies, so that it can oversee management and other components of the company, reduce the likelihood of any fraud in the financial statements, and balance benefit of the management and the shareholders (Kim and Yi, 2010).

Risk

Risk is defined as "exposing to risk". Investment dictionaries also define risk as a measurable potential investment loss. Literally, risk is defined differently in the literature some of which are as follows: exposure to risk, probability of a difference in return on the expected amount and the investment risk, probability of a difference between the actual return and the expected return. In general, the probability that the realized return will differ from the expected amount or undesirable change in the realized return or the downward change in the return is called risk. According to agency theory, managers consider their personal risk only if their decisions affect the business unit's risk. On the other hand, they simply cannot reduce their risk by diversifying as shareholders do (Siddiqui and Uddin, 2016). Financial records show that because shareholders accept risk, they prefer to invest in projects with a positive net present value, regardless of the risk (Paligorova, 2010; Furiady and Ratnawati, 2015).

High-yield projects are also riskier. However, managers are far from risk-taking and their main goal is to be able to use pay and job security to invest in companies. Due to the high focus of managers on human capital and their control, they can reduce risk at the company level. Thus, managers can potentially avoid risky investment opportunities that reduce a company's credibility. In addition, such projects create financial constraints in the future (John et al., 2008). Moreover, developing high-risk project

design imposes more personal costs on managers (Chen et al., 2005). A study conducted by Jensen and Meckling (1976) showed that supervision balances goals and encourages managers to motivation for shareholders' interests. Eskandari et al. (2012) examined the role of research and development costs as a risk indicator in creating value for a business unit. Their results show that companies with higher R&D costs have considerably higher value creation. They studied the impact of investment risk on corporate governance in New Zealand companies. Empirical evidence using a corporate governance index shows that well-managed New Zealand companies have experienced relatively less risk (stock price volatility) than other conditions. A study conducted by Mahboub & Jaravee (2014) showed that audit fees are significantly associated with leverage, location, and customer size. However, the audit risk and the type of auditor's Opinion are not significantly associated with audit costs. Hoelscher and Seavey (2014) assessed whether high-quality auditing is a mechanism to encourage shareholders to focus on a business unit's risk. The risk-taking scale is a function of assessing whether a business unit is audited by an industry-specific auditor.

Value creation and its measurements

To create value, we must first define the concept of value. Siddiqui and Uddin (2016) introduced at the level of organizational analysis two values such as value use and value exchange. Value is related to the specific quality of a job, task, product, or service. The users consider it regarding their needs, such as the speed or quality of performance in a new profession or the forms and functional characteristics of a new product or service. Ambrosini and Bowman (2009) conducted some studies on individual and mental characteristics. They called the second type the value exchange; it is the sum of inflows over a period of time when a new activity, work, product, or service is transferred, or as the amount of money that a customer spends money for that activity, work, product, or new service. Tseng et al. (2014) evaluated the effect of human capital, financial capital and business unit credibility on value creation in different business cycles to integrate a strategic management, which shows the business unit credibility. They showed that human and financial capital contribute to the value creation of a business unit and the macroeconomic conditions must be considered in strategic management and value creation. Their results show that business cycles can be a source of increasing value for companies, investment in appropriate projects, and a great opportunity for governments to implement their industrial policies.

Joh and Jung (2016) evaluated whether the university degree of senior executives from a reputable university can be a source of competitive advantage. Their findings indicate that companies with more senior managers from reputable universities have a higher Q-Tobin index, and this relationship is stronger in the challenging conditions as the company faces more fluctuations and confrontations such as financial constraints. In summary, this study showed that high-level management training has a significant role in creating value. Tantalo and Priem (2014) studied value creation through stakeholders' interaction. This perspective provides opportunities to create new values in a specific and strategic way, because

an individual strategic operation first increases the different types of values
for two or more groups of shareholders and secondly, reduces the value.

Titman and Trueman (1986) also believe that high quality auditing
enhances the reliability of accounting information and allows investors to
make a more accurate estimate of the value of the company. Holthausen
and Watts (2001) deal with the conceptions of standardizers in the value
literature. They argue that it is difficult to extract standardizers' conceptions
from the present literature, and claim that the motivation for much of value-
related researches is the assumption that financial statements provide the
raw material for investors' valuation. They argue that this is inconsistent
with the standardization of accounting for the purpose of accounting and
focuses on all beneficiaries. In contrast, Barth et al. (2001) argue that value-
related researches are not only important for investors, but also provides
useful insights into accounting issues for standardizers and other users.
Habib and Azim (2008) emphasized the importance of company-specific
factors in shaping the relevance of the value of accounting items. Therefore,
a full understanding of the nature of accounting figures should also include
the impact of each company's specific factors. Audit quality is mainly
considered as an important determinant of the relevance of the value of
accounting information in the investment decision-making process. For the
first time Aboody et al. (2013) investigated the effect of market efficiency
on the relevance of accounting variables. They define the level of market
efficiency in the range that the stock price reflects its intrinsic value. This
means that the market is inefficient if the stock price does not reflect its
intrinsic value. They used the cash flow discount method related to future
dividends to calculate the intrinsic value of stocks. They conclude that if
market failures and inefficiencies are rectified over time, their effect will
adjust the current stock price according to future adjusted risk and price
changes. In general, their experimental findings showed that the bias
adjustment procedure reduces the estimated coefficient in the relevance
regression, provided that market inefficiency affects the relevance of
accounting information. DeFond and Zhang (2014) define higher quality
auditing as a guarantee of higher quality financial reporting. Audit quality
improves the quality of financial statements by increasing the validity of
financial statements. Therefore, audit quality is a vital component of
financial reporting quality. By examining the relationship between audit
quality and risk-taking in order to create value for companies in Indonesia,
Sri and Solimun (2019) concluded that of these five components, as well as
the risk factor, only the size of the audit firm and the concentration of
ownership has a significant impact on creating value for companies. In
other words, both the ownership concentration and the auditor's tenure are
effective in creating value, and other variables do not have a significant
effect on value creation. In addition, none of them can create value in
creating risk.

Saghafi and Talaneh (2006) examined the role of profit, book value
and abandonment Option in valuing owner's equity in manufacturing
companies listed on the Tehran Stock Exchange. The results of their
research showed that the relationship between share price and profit and
book value variables separately or together is different for profit and loss
situations. Thus, the coefficient of profit variable in loss-making situations

is smaller than the profit situations and vice versa, the coefficient of book value variable in loss-making situations is greater than the profit situations. Also, the results of their research showed that in profit situations, the book value variable does not participate in explaining the share price changes with the profit variable. In a research, Bolo et al. (2012) argue that the stock valuation process requires a variety of information about the firm's profitability. Investors and managers must pay attention to historical information when deciding on stock valuation and forecasting future profit. In their research, the theory of the superiority of profit components over the total amount of profit in explaining future profit and consideration of these components by managers and investors was investigated. In addition, the weighting of profit components was examined by investors and managers. For this purpose, sample data including 80 companies listed on the Tehran Stock Exchange were tested for the period between 2003 and 2008. The results of this research showed that the stability of profit components is not the same and profit components have a better explanation of future profit than the total amount of profits; this issue is taken into account in the decisions of managers and investors and they consider the difference in the stability of profit components. Managers and investors underestimate the stability of the cash component of profits. In a study, Basiri and Khan mohammadi (2013) argued that companies that have had a growing trend in terms of past profits, have been able to gain a good position in the capital market and are very concerned about maintaining their credibility and reputation. The concern of these companies is whether the release of the predicted profit will maintain or damage the company's reputation. In this regard, the release of predicted profits of companies should be such as to maintain the trend and growth pattern of past profits. The general purpose of their research is to explain the effect of the existence of stable patterns in profit growth on the stock price response to the earnings per share prediction characteristics of companies listed on the Tehran Stock Exchange. The statistical sample of this research includes 104 companies listed on the Tehran Stock Exchange whose data were collected and analyzed during the years 2004 to 2010. The results of statistical analysis showed that the reaction of the capital market to bad news of forecasting and earnings per share prediction horizon in companies with stable profit growth is different from other companies. However, the reaction of the capital market to the good news and the accuracy of earnings per share forecast has not been affected by stable profit growth. It seems that investors' reaction to bad news is influenced by their attitude towards the credibility and importance of this news. In a study Mohammadi Nasab (2017) examined the relationship between company risk-taking and future value of the company. Findings indicate that there is a direct relationship between firm risk-taking and firm future value. In other words, companies with higher risk-taking have been more successful in the capital market. By examining the role of audit quality in the value of the company among the companies listed on the Tehran Stock Exchange, Mirzajani and Hosseinzadeh Jamestan (2018) concluded that there is a negative and significant relationship between earnings per share and audit quality. The results also indicate that there is a positive and significant relationship between the book value of each share and the quality of auditing.

RESEARCH METHODOLOGY

The statistical population of the study includes all companies listed on the Tehran Stock Exchange during the years 2015 to 2019. The statistical sample of this research is the companies listed on the Tehran Stock Exchange that have been present in this market since 2015 and have the following characteristics: not be financial and investment intermediaries, holding, banking and leasing, their fiscal year ending on March 20, in their fiscal year having no operational cessation or change of activity and being active in the stock market during the study period. After collecting the required data, we sorted them in Excel software and used Eviews software to test the hypotheses. Moreover, in this study, we used panel data to test research hypotheses, through which we used data from all companies in different industries simultaneously to estimate models in different years. In this article, the regression model is used to test the hypotheses. This study is descriptive in its nature. This study is also practical because it can be used by investors through the decision-making process.

Research model

We have used the following regression models to evaluate the impact of audit quality, risk-taking, business unit value creation, and to test research hypotheses.

Model 1:

$$V_C = \beta_0 + \beta_1 \text{Specialist}_{i,t} + \beta_2 \text{Tenure}_{i,t} + \beta_3 \text{Firm Size}_{i,t} + \beta_4 \text{BM}_{i,t}$$
$$+ \beta_5 \text{Ownership concentration}_{i,t} + \beta_6 \text{Risk}_{i,t} + \beta_7 \text{DPR}_{i,t} + \beta_8 \text{RET}_{i,t}$$
$$+ \beta_9 \text{STD\_OCF}_{i,t} + \beta_{10} \text{BTM}_{i,t} + \beta_{11} \text{ROA}_{i,t} + \beta_{12} \text{Size}_{i,t} + \varepsilon_{i,t}$$

Model 2:

$$V_C = \beta_0 + \beta_1 \text{Specialist}_{i,t} + \beta_2 \text{Tenure}_{i,t} + \beta_3 \text{Firm Size}_{i,t} + \beta_4 \text{BM}_{i,t}$$
$$+ \beta_5 \text{Ownership concentration}_{i,t} + \beta_6 \text{Risk}_{i,t} + \beta_7 \text{Risk.Specialist}_{i,t}$$
$$+ \beta_8 \text{Risk.Tenure}_{i,t} + \beta_9 \text{Risk.Firm size}_{i,t} + \beta_{10} \text{Risk.BM}_{i,t}$$
$$+ \beta_{11} \text{Risk.Ownership concentration}_{i,t} + \beta_{12} \text{DPR}_{i,t} + \beta_{13} \text{RET}_{i,t}$$
$$+ \beta_{14} \text{STD\_OCF}_{i,t} + \beta_{15} \text{BTM}_{i,t} + \beta_{16} \text{ROA}_{i,t} + \beta_{17} \text{Leverage}_{i,t} + \beta_{18} \text{Size}_{i,t}$$
$$+ \varepsilon_{i,t}$$

Research dependent variable:

V_C is value creation and is the difference between the normal stock market value of a company and the book value of stocks (Tseng et al., 2015);

Research Independent variables:

Specialist$_{i,t}$: The auditor's expertise is calculated by the market share method, so that an auditing firm with a higher industry market share is considered as an expert;

Tenure$_{i,t}$: Auditor tenure, as one of the independent variables of this model, indicates the number of years an auditor has worked in a company. If the auditor is in office for less than three years, the number one is assigned, and otherwise zero;

Firm Size$_{i,t}$: The size of the auditing firm that is assigned the number one, if the company is audited by the Audit Organization and otherwise the number zero;

BM$_{i,t}$: ratio of non-charged members;

Ownership concentration$_{i,t}$: Ownership concentration, percentage of shares by major shareholders (above 5%) to total shares;

Risk$_{i,t}$: Standard deviation from stock returns.

Control variables:

DPR$_{i,t}$: Dividend payout ratio to earnings per share;

RET$_{i,t}$: the ratio of total return on investment in a given period to the amount invested in that period;

STD _ OCF$_{i,t}$: Operating cash flows, which become homogeneous through all assets in the first period;

BTM$_{i,t}$: ratio of book value to market value;

ROA$_{i,t}$: Return on Assets: Ratio of Net Profit to Total Assets;

Leverage$_{i,t}$: Financial leverage: the ratio of the total book value of a company's liabilities to its total assets;

Size$_{i,t}$: Company size: The market value of the natural logarithm for owners' equity;

Also in the second model:

Risk.Specialist$_{i,t}$: auditor's expertise risk;

Risk.Tenure$_{i,t}$: The auditor's tenure risk;

Risk.Firm size$_{i,t}$: Risk of the size of the auditing firm;

Risk.BM$_{i,t}$: Risk for non-executive members;

Risk.Ownership concentration$_{i,t}$: The risk of owners' concentration.

RESEARCH HYPOTHESES

1. There is a significant impact of the auditor's expertise on creating value.
2. There is a significant impact of auditing tenure on value creation.
3. There is a significant effect of the size of the auditing firm on value creation.
4. There is a significant impact of non-executive managers on value creation.
5. There is a significant effect of ownership concentration on value creation.
6. The auditor's expertise affects the impact of companies' risk on value creation.
7. The auditor's tenure affects the impact of corporate risk on value creation.
8. The size of an auditing firm will affect the impact of corporate risk on value creation.
9. Percentage of non-executive managers contributes to the impact of corporate risk on value creation.
10. Concentration of ownership can affect the impact of corporate risk on value creation.
11. There is a significant impact on corporate risk in creating value.

RESEARCH FINDINGS

Descriptive Statistics

Descriptive statistics related to the variables used in this research are summarized in Table (1). This table shows the mean, median, maximum, minimum, standard deviation of the data, kurtosis, skewness and statistics, and the Jarque-Bera probability, respectively.

Table 1: Descriptive statistics of research variables

	Mean	Median	Maximum	Minimum	Standard deviation	Skewness	Kurtosis	Jarque-Bera statistic	Jarque-Bera probability
Value creation	-5452552	-440766	832000000	-65500000	40800000	11.-722	156.087	974412.7	0.000
Auditor's specialization in the industry	0.-004	414.-0	194.8	501.-0	013.1	210.4	112.27	26502	0.000
Auditor's tenure	086.0	509.0	509.0	962.-1	931.0	745.-1	045.4	177.539	0.000
Size of the auditing firm	002.-0	125.-0	126.3	573.-2	027.1	362.0	146.3	222.22	0.000
Charged Members to non-charged ones	067.0	434.0	434.0	300.-2	933.0	144.-2	598.5	363.1021	0.000
Concentration of owners	758.0	000.1	000.1	0000.0	428.0	204.-1	451.2	997.247	0.000
Standard deviation from returns	508.0	3111.0	833.4	24697.-0	579.0	636.2	628.13	889.5717	0.000
Dividend payment ratio	033.767	100.433	200.9204	61.-2855	003.1312	2/866	817.15	345.8009	0.000
Return on total profit	106.-0	20125.-0	960.362	1467.363	664.16	011.0	102.463	8600093	0.000
Operational cash flow	6.329816	24.72075	14055166	-19937709	1820108	574.0	773.42	34.64320	0.000
Book value to market ratio	001.0	080.-0	773.15	157.-0	822.0	893.14	822.244	2411722	0.000

Return on assets	027.0	207.-0	348.11	498.-5	099.1	615.6	884.58	8.133986	0.000
Financial Leverage	062.-0	12149.-0	54569.1	26837.-0	239.0	190.4	183.25	183.25	0.000
Size of the company	572.0	0000.1	0000.1	0000.0	494.0	292.-0	085.1	796. 162	0.000

According to the observations in Table (1), the specified standard deviation is high between the variables of operating cash flow and dividend payment ratio, respectively, and indicates that these variables have many fluctuations. Among all the variables except the size of the auditing firm, the size of the company and the owners' concentration. There is kurtosis among the variables of financial leverage, the owners' concentration has the lowest rate deviation. We also observe skewness in the variables of value creation, the auditor's expertise in the industry, the ratio of book value to the market and the return on assets. Jarque-Bera test statistics does not confirm the normality of the research variables. Since the p-value of the variable of the producer price index is less than 0.05, it indicates that the data of this variable is not normal. But the audit fee variable has a normal distribution.

Shapiro-Wilk normality test

The philosophy of the Shapiro-Wilk test is similar to that of a Q–Q plot. In this test, a regression relationship between the ordinal statistics of the data and the expected values of the ordinal statistics of the normal distribution is considered.

Shapiro-Wilk normality test table

Variable	Statistic	Degree of freedom	Significance level
Value creation	98.2	516	0.000
Auditor's specialization in the industry	45.4	516	0.000
Auditor's tenure	07.9	516	0.000
Size of the auditing firm	819.0	516	0.000
Charged Members to non-charged ones	588.0	516	0.000
Concentration of owners	652.0	516	0.000
Standard deviation from returns	562.0	516	0.000
Dividend payment ratio	037.0	516	0.000
Return on total profit	762.0	516	0.000
Operational cash flow	882.0	516	0.000
Book value to market ratio	68.0	516	0.000
Return on assets	92.6	516	0.000
Financial Leverage	83.6	516	0.000
Size of the company	72.2	516	0.000

The test statistic is something like a coefficient of determination in regression that the higher it is, the closer the data distribution is to the normal distribution, and small values of the test statistic reject the null hypothesis (normal data distribution).

The Shapiro-Wilk test is based on a regression relationship or correlation analysis between ordinal statistics and their expected values. Usually, if the significance level in the Shapiro-Wilk test, which is shown in this table with a significance level, is more than 0.05, the data can be assumed to be normal with high confidence. Otherwise, we cannot say that the data distribution is normal. Therefore, the hypothesis H_0 that the distribution of these variables is normal at the 95% confidence level is rejected; it indicates that the dependent variables do not have a normal distribution and we must use the non-parametric test to examine the correlation between the variables.

Reliability test

In this section, we first investigated the reliability of research variables. Hadri test was used to evaluate the reliability. The results of this test are shown in Table 4.

Table 4: Hadri test

Variable	t-statistic	p-value
Value creation	581.8	0.000
Auditor's specialization in the industry	168.8	0.000
Auditor's tenure	101.14	0.000
Size of the auditing firm	014.9	0.000
Charged Members to non-charged ones	380.12	0.000
Concentration of owners	567.7	0.000
Standard deviation from returns	239.14	0.000
Dividend payment ratio	562.23	0.000
Return on total profit	351.14	0.000
Operational cash flow	481.12	0.000
Book value to market ratio	398.7	0.000
Return on assets	957.15	0.000
Financial Leverage	235.10	0.000

According to the results of Table (4) of this test, because the P value is less than 0.05, all variables are reliable during the research period. This means that the mean and variance of the variables over time and the covariance of the variables between different years are constant, and consequently the use of these variables in the model does not cause false regression.

Chaw test

To properly determine the estimation of the regression model, one must first examine whether there are heterogeneity or individual differences. If there is heterogeneity, the panel data method is used, otherwise the pooled method is used. Therefore, the Chaw test is performed to determine the application of the fixed effects model versus the

integration of the whole data (integrated). The hypotheses of this test are as follows:

Table 5: Chaw test results

Hypotheses	Test result	D.F.	Prob.	Statistic value	Test of effects
Hypothesis 1	Panel data model	4.957	0.000	1.246236	F period
		4	0	5.065524	Chi-square period
Hypothesis 2	Panel data model	4.953	0.000	1.258482	F period
		4	0	5.136583	Chi-square period

H_0: Pooled Model
H_1: panel Model

The results of the Chaw test show that the p value in the model is less than 0.05, so the hypothesis H_0 is rejected and the hypothesis H_1 is confirmed. Therefore, we can conclude that there is individual heterogeneity (invisible individual effects) and Panel data method should be used to estimate the model. As a result, in the next step the Hausman test is performed to determine the use of the fixed effect model versus the random effect model.

Hausman test

The Hausman test is based on the existence or absence of an association between estimated regression error and model independent variables. The hypotheses of this test are:

H_0: Random Effect
H_1: Fixed Effect

As Table 6 shows, the value of P is greater than 0.05, which means that there is a relationship between the estimated regression error and the independent variables, so Hypothesis H_0 is rejected and Hypothesis H_1 is accepted. According to the results of Chaw test and Hausman test, the most appropriate method for estimating the hypotheses test is the random effects model.

Table 6: Hausman test result

Hypotheses	Test result	p-value	Degree of freedom	Chi-square statistic
Hypothesis 1	random effects model	0987.0	12	598.18
Hypothesis 2	random effects model	32511.0	12	880.23

Test results of research hypotheses
Test results of the first to fifth hypotheses of the research
According to the first to fifth hypotheses of the research, we intend to investigate the effects of auditor's expertise, auditor's tenure, firm size,

ratio of non-executive directors and owners' concentration on company value.

According to the first to fifth hypotheses, the research model is as follows:

$$V_C = \beta_0 + \beta_1 Specialist_{i.t} + \beta_2 Tenure_{i.t} + \beta_3 Firm\ Size_{i.t} + \beta_4 BM_{i.t}$$
$$+ \beta_5 Ownership\ concentration_{i.t} + \beta_6 Risk_{i.t} + \beta_7 DPR_{i.t} + \beta_8 RET_{i.t}$$
$$+ \beta_9 STD\_OCF_{i.t} + \beta_{10} BTM_{i.t} + \beta_{11} ROA_{i.t} + \beta_{12} Leverage_{i.t} + \beta_{13} Size_{i.t}$$
$$+ \varepsilon_{i.t}$$

Table 7: Results of estimating the first research model

Variables	Symbol	Coefficient	t-statistic	Probability	Result
y-intercept	C	269.-27	441.-3	000.0	
Auditor's specialization in the industry	SPCIALIST	077.-24	820.-0	412.0	Rejected
Auditor's tenure	TENURE	618.-16	773.-0	439.0	Rejected
Size of the auditing firm	FIRMSIZE	212.13	063.2	039.0	Confirmed
Ratio of charged to non-charged members	BM	906.-9	715.-0	474.0	Rejected
Concentration of owners	OWNERSHIP	839.5	852.0	394.0	Rejected
Standard deviation from returns	RISK	788.15	891.2	004.0	Confirmed
Dividend payment ratio	DPR	179.-12	822.-0	934.0	Rejected
Ratio of return to total profit	RET	506.24	272.2	023.0	Confirmed
Operational cash flow	STD.OCF	833.-3	459.-1	144.0	Rejected
Book value to market ratio	BTM	232.17	766.0	4437.0	Rejected
Return on assets	ROA	505.-7	102.-0	9186.0	Rejected
Financial Leverage	LEV	961.7	741.2	0062.0	Confirmed
Asset logarithm	SIZE	66.38	631.0	5282.0	Rejected
F test: 20.936 probability: 0.000			Determination coefficient 0.644		
Durbin-Watson 1.521			Adjusted Determination coefficient 0.603		

According to the results of Table 7, the amount of F statistic and its significance level is less than 0.05. Therefore, the null hypothesis is significant with 95% confidence and based on the available data is well

able to explain the dependent variable. Moreover, according to the coefficient of determination, about 64% of the changes of the dependent variable are explained by independent and control variables. Durbin-Watson statistic with a value of 1.52 shows that the residuals in the regression are not of self-correlation. According to the t-statistic of the auditor's expertise in the industry with a value of -0.820 and the level of significance of this test, which is more than 0.05 and is equal to 0.000, there is no significant relationship between the auditor's expertise in the industry and the value of the company and the first hypothesis is rejected. Considering the auditor's tenure t-statistic with a value of -0.773 and the significance level of this test, which is more than 0.05 and is equal to 0.439, the significant relationship between the auditor's tenure and the value of the company is not confirmable and the second hypothesis of the research is rejected. Regarding the relationship between the size of the audit firm and the value of the company, we can say that due to having a statistic of 2.063 which is outside the values of ±1.96 and the level of significance of this test which is less than 5% and equal to 0.039, the third hypothesis of the research is confirmed. Regarding other independent variables, the ratio of charged to non-charged members and the concentration of owners is not significantly associated with the value of the company due to their higher level of significance more than 5%. So the hypotheses 4 and 5 of the research are rejected. Among the control variables, only the variables of standard deviation from return, return to total profit and financial leverage are directly and significantly associated with the value of the company due to their significance lower than 5% and their statistical values outside the values of ±1.96 and their positive coefficients.

Test results of the sixth to eleventh hypotheses of the research

According to the sixth to eleventh hypotheses of the research, we intend to investigate how the auditor's expertise, auditor's tenure, the size of the auditing firm, the ratio of non-executive directors, and the owners' concentration affect the effect of companies' risk on company's value. We should see how companies' risk affects value creation.

$$\begin{aligned} V_C = {} & \beta_0 + \beta_1 \text{Specialist}_{i.t} + \beta_2 \text{Tenure}_{i.t} + \beta_3 \text{Firm Size}_{i.t} + \beta_4 \text{BM}_{i.t} \\ & + \beta_5 \text{Ownership concentration}_{i.t} + \beta_6 \text{Risk}_{i.t} + \beta_7 \text{Risk. Specialist}_{i.t} \\ & + \beta_8 \text{Risk. Tenure}_{i.t} + \beta_9 \text{Risk. Firm size}_{i.t} + \beta_{10} \text{Risk. BM}_{i.t} \\ & + \beta_{11} \text{Risk. Ownership concentration}_{i.t} + \beta_{12} \text{DPR}_{i.t} + \beta_{13} \text{RET}_{i.t} \\ & + \beta_{14} \text{STD} \_ \text{OCF}_{i.t} + \beta_{15} \text{BTM}_{i.t} + \beta_{16} \text{ROA}_{i.t} + \beta_{17} \text{Leverage}_{i.t} + \beta_{18} \text{Size}_{i.t} \\ & + \varepsilon_{i.t} \end{aligned}$$

According to the results of Table 8, the value of F statistic and its level of significance is less than 0.05, so the null hypothesis is significant at 95% confidence and based on the available data is able to explain the dependent variable. Also, according to the coefficient of determination, about 50% of the changes of the dependent variable are explained by independent and control variables. Durbin-Watson statistic with a value of 1.63 shows that the residuals in the regression are not of autocorrelation. According to t-statistic, the auditor's expertise in the industry with a value of -0.820 and the level of significance of this test, which is more than 0.05 and is equal to 0.000, the auditor's expertise does not affect the companies'

risk in creating value. Considering the t-statistic of auditor's tenure with a value of -0.773 and the significance level of this test, which is more than 0.05 and equal to 0.439, there is no significant relationship between the auditor's tenure and the company's risk effects. The second hypothesis of the research based on which "Auditor's tenure affects the risk of companies in creating value" is also rejected. Regarding the relationship between the size of the audit firm and the value of the company, we can say that due to having a statistic of 2.063 which is outside the values of ± 1.96 and the significance level of this test which is less than 5% and is equal to 0.039, the third hypothesis of the research is confirmed.

Moreover, regarding other independent variables, the ratio of charged members to non-charged ones and the concentration of owners, we can state that due to the higher level of significance (more than 5%), the relationship and effect of these variables on company value is meaningless and hypotheses 4 and 5 of the research are rejected. On the other hand, according to the measurement of companies' risk in the above table, we found that the auditor's tenure risk variable with a statistical value of 2.377 and p-value = 0.007 is directly and significantly associated with the value company's and owners' concentration risk with a value of -3.441 and the significance level of 0.000 has an inverse and significant relationship with the value of the company. But regarding the other risks of the company, no relationship was observed with the value of the company. Among the control variables, only the variables of standard deviation from return, return to total profit, and financial leverage are directly and significantly associated with the value of the company, due to their significance less than 5% and being their statistical values outside the values of ± 1.96 and being their coefficients positive.

Table 8: Results of estimating the second research model

Variables	Symbol	Coefficient	t-statistic	Probability	Result
y-intercept	C	726.-2	440.-3	0006.0	
Auditor's specialization in the industry	SPCIALIST	077.-24	820.-0	412.0	Rejected
Auditor's tenure	TENURE	618.-16	773.-0	439.0	Rejected
Size of the auditing firm	FIRMSIZE	212.13	063.2	039.0	Confirmed
Ratio of charged to non-charged members	BM	906.-9	714.-0	474.0	Rejected
Concentration of owners	OWNERSHIP	839.5	852.0	394.0	Rejected
Auditor's specialization risk in the industry	RISK.SPCIALIST	369.9	181.0	856.0	Rejected
Auditor's tenure Risk	RISK.TENURE	401.5	377.2	017.0	Confirmed
Audit firm size risk	RISK .FIRMSIZE	348.0	064.0	9483.0	Rejected

Risk ratio of charged to non-charged members	RISK.BM	002.-7	497.-1	134.0	Rejected
Risk of owners' concentration	RISK. OWNERSHIP	269.-27	441.-3	000.0	Confirmed
Standard deviation from returns	RISK	788.15	891.2	003.0	Confirmed
Dividend payment ratio	DPR	179.-12	082.-0	934.0	Rejected
Ratio of return to total profit	RET	451.2	271.2	0/023	Confirmed
Operational cash flow	STD.OCF	329.-38	450.-1	144.0	Confirmed
Book value to market ratio	BTM	232.17	766.0	443.0	Rejected
Return on assets	ROA	-7/505	102.-0	918.0	Rejected
Financial Leverage	LEV	249.78	741.2	006.0	Confirmed
Asset logarithm	SIZE	869.3	631.0	528.0	Rejected
F test: 7.859	probability: 0.000		Determination coefficient 0.504		
Durbin-Watson 1.637			Adjusted Determination coefficient 0.439		

CONCLUSION

In the present research, in order to discuss the importance of companies' risk and how to create value in them, we examined the relationship between audit quality and risk-taking in order to create companies' value. In this research, we once examined the relation of variables of auditor's specialization, period of auditor's tenure, size of audit firm, ratio of non- executive directors and owners' concentration with the value of the company (Hypotheses 1 to 5); and once we studied these variables under the influence of company risk (Hypotheses 6 to 10). We also measured the effect of corporate risks on corporate value (Hypothesis 11). According to the results of the research, the size of the audit firm and the standard deviation from return (risk) have a direct and significant relationship with the value of the company and with the increase and decrease of each of these items, the value of the company increases or decreases. Regarding the relationship between the size of the audit firm and the value of the company, the results of this research are in line with the results of Sri and Solimun (2019). But in terms of standard deviations from returns, it contradicts their results. Among the other variables of audit quality that have been studied in this study, such as auditor's specialization, auditor's tenure, the ratio of non-executive directors and the concentration of owners, no relationship was observed between them and the value of the company. The results of these hypotheses are in line with the results of Sri and Solimun (2019). Moreover, regarding the control variables, the ratio of return to total profit and financial leverage have a direct and significant relationship with the value of the company. Therefore, from the first to the fifth hypotheses of the research, only the third hypothesis is accepted. According to the research results, if we examine the risk of companies, we

see that the size of the audit firm, the risk of the auditor's tenure, due to having a positive and significant relationship with the value of the company can have a direct impact on it. But the concentration of owners has an inverse relationship with the value of the company and its increase reduces the value of the company. Despite the risk effect of companies, returns to total profits have a positive and significant relationship with the value of companies. The results of these hypotheses are not in line with the results of the research of Sri and Solimun (2019).

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