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## **Regulatory impact of ownership concentration on the relationship between directorate performance and auditing fee.**

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### **summary**

Due to the high impact of ownership concentration on the auditing fee the relation between supervision on the directorate structure and auditing fees is dependent to ownership concentration and ownership concentration can have a significant role in relation between monitoring the directorate structure and audit fee and increase and decrease of ownership concentration on the relationship board dimensions and audit fee is strongly influenced.

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The aim of this study is to investigate the impact of ownership concentration on the relationship among institutional owners to the directorate independence and audit fee accepted companies in Tehran stock market. In this study with using systematic removal method ,a sample of 122 companies were accepted from listed companies in Tehran stock market during the period from 1390 to 1395 were selected.

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According to variables and theoretical fundamentals of research 3 hypothesis has been raised for the research and to test of hypothesis the method of relative economics were used. The result of the first to third hypothesis test showed that ownership concentration moderates the relationship between the directorate and audit fee of listed companies in Tehran stock market.

Comment [U8]: See above

Keywords: corporate governance; audit fee; directorate composition; ownership concentration; institutional owners

Introduction

27 Essentially, studies about corporate government , pay attention to the subject  
28 of conflict of interests among the managers and partners [first –order  
29 representation problems]. While according to studies the ownership of  
30 shareholders is more focused because poor support from shareholders has  
31 provided motivation to collect more stock for better control on company  
32 managers. As a result in countries with poor support from shareholders first-order  
33 problems of representation decrease . But the problems among minority and  
34 majority shareholders will increase. [Second-order representation problems]  
35 .though the existence of audit can be useful as a powerful defense mechanism  
36 reduce the problems arising representations , however the existence of  
37 independent directorate can also be influenced as another corporate governance  
38 mechanism to solve such problems. There is empirical evidence that shows  
39 independent directorate decreases the amount of administrative fraud.[rajabi and  
40 partners 1394]

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41 Institutional shareholders are from another groups that have an important role in  
42 the ownership structure and because of great functionality in doing professional  
43 financial analysis , are distinct from other owners. These categories of owners

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44 Care about the quality of information and due to the inherent features and  
45 special influence on management , encourage them to use of high quality  
46 audit services and finally lead to increase of audit fee.[Dargahi and Pashanejad  
47 1391].

Comment [U13]: very old reference

48 Of course , focused increase of such owners and their active monitoring on the  
49 company operations , reduces costs of representation and risk of control in  
50 financial reporting and consequently decrease the auditing fee . [Azadi and  
51 Mohammadi 1394]

Comment [U14]: comma is missing

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52 One of the effective factors on auditing fee is combination of directorate and  
53 existence of intra-organizational manager in the directorate . Karcelo and  
54 partners [2002] in their research realized that relationship between directorate  
55 and auditing service may be formal or informal. The formal aspect of it is that  
56 directorate chooses the auditor for the satisfaction of shareholders and during

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57 the contract all the goals of auditing and recommended fee determined. The  
 58 informal aspect of relationship is that the existence of an efficient directorate is  
 59 the reason of that auditor tries to present his services with optimal quality ,  
 60 provides customer satisfaction and protects from interests of shareholders. The  
 61 result of such a result show that directorate try to maintain his advantage  
 62 reputation [fama and johnson 1983, gilson 1990], do his legal obligations [salmon  
 63 2004] and eventually protect from interest of shareholders with employment high  
 64 quality auditing. On the other hand it can be expected that whatever the quality  
 65 of benefit increase it means more monitoring and more higher health reporting  
 66 level and consequently auditing as a supervisory mechanism , requires less  
 67 resources .[Kasa 2014].In theory representative control is the most important task  
 68 of directorate and ownership concentration has an important role in increased  
 69 control performance. Ownership concentration as a control tool in the company  
 70 determine the power of directorate .Research shows that the ownership  
 71 concentration of a company influences on the control level and lack of risk  
 72 detection and determine demand for external auditing Guarantee services . In  
 73 addition to, in desired balance, benefits among managers and shareholders  
 74 adverse effect of representation costs in financial reporting is the reason of  
 75 decrease auditing risk which resulted in a decrease of auditing fee.

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76 In first researches by Simunic 1996 and second studies pointing out that in recent  
 77 years auditing fee depends on more related to ,measure ,complexity, risks and  
 78 another auditing intrinsic factors. In recent years the effect of centralization of  
 79 ownership [directorate and auditing committee] has been considered on auditing  
 80 fee. The motivation for this researches is more because to increase responsibility  
 81 and directorate control and auditing committee in financial reporting process  
 82 .Low and regulations of corporate sovereignty emphasis on importance of  
 83 relationship between internal and external auditors with company directorate  
 84 and organization management .Ownership concentration determines that how  
 85 much ownership is concentrate in the hand of individual shareholders and it has  
 86 been arisen for placement of control company affairs and cover auditing demand  
 87 level. [Ben Ali and Lesij2012]

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88 A little Academic research had been done the field of auditing fee and  
89 features of corporate sovereignty. The result of several studies shows that there is  
90 a positive relationship between auditing fee and features of corporate  
91 sovereignty ,maybe because demand for strongly corporate sovereignty is related  
92 to more quality auditing.[Abbott and partners 2003 Fan wong Ghicas and  
93 partners]. In general ,we can concluded that auditing fee is influenced from  
94 replacement relationship two kinds of problems of representation .Though so far  
95 few studies have been done to relate among second type of problems of  
96 representation with auditing fee . In this research we investigate that is there  
97 relation between ownership concentration and amount of auditing fee ? At  
98 the end we will analyze is there relation between directorate combination and  
99 auditing fee by ownership concentration is influenced or not?

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## 102 **Theoretical basis and research record**

103 According to the low , auditors who are significant part of ownership companies.  
104 Because they are important tools to protect the investors right  
105 . An auditor investigates the performance of directorate that determines  
106 amounts the auditing fee. About the relation between ownership  
107 concentration and directorate and auditing fees there is two reasoning.

108 From a point of view directorate with more independence and consequently  
109 more ownership concentration has much interest to verify the effectiveness of his  
110 monitoring and so the act of external auditing is more attendant. This increases  
111 the role of directorate control with increase auditing scope and so auditing fee  
112 increases.

113 From another point of view directorate with more independence and more  
114 corporate ownership company , emphasis to control environment . So  
115 auditor's assessment is reduced from the risk of control and also the  
116 breadth of auditing method , so auditing fee reduces. [seyedi 1386]

117 According to representation theory the amount of demand for auditing services is  
118 related to the degree of ownership concentration of the company.

119 According to this a company with varied ownership , need to auditors with  
120 high skill by the shareholders group. Because ownership is a mechanism  
121 corporate sovereignty great shareholders have active control and high effective  
122 on choose of policies management and their strategies for giving financial  
123 statement information.

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124 Since the ownership structure is from the main mechanisms and is from  
125 determination internal factors of companies strategic systems and on the other  
126 hand auditing as an independent professional has a great responsibility in order  
127 to accreditation financial reports for community of users financial information is a  
128 tool to reduce dangers of investments , improve quality of internal organization ,  
129 increasing the level of outturn arising from trade securities and improvement of  
130 people investment basket structure and different groups. Favorable corporate  
131 governance system makes confidence to use of companies from their properties  
132 , also it will consider the benefits of a wide range of stockholders and community  
133 in which they work. According to theoretical discussion about owners who has  
134 top grade corporate governance , we can expect that auditing information  
135 prepared by this companies , had desirable ability to trust. On the other words  
136 with increasing the quality of auditing information , the probability of fraud,  
137 distortion and other types of bad current ,s in companies financial statements in  
138 minimized and to provide acceptable comment by independent auditors for them  
139 become reasonable and logical.[Hassas yeganeh and partners 1389]. In short it  
140 can be said Iran according to the following items , provides appropriate  
141 background to reviews of this kind.

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142 Because, First there are weak supportive laws from shareholders. Second  
143 sovereignty concentration in accepted companies in Stock Market securities is  
144 relatively high .Third the amount of government attendance in companies as a  
145 shareholder is significant and then with the implementation of 44 principle  
146 general policies , we will see extensive presence of institutional shareholder in

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147 ownership transfer process to the private sector. For economic decisions we need  
 148 information according to them assign available resources. One of the most  
 149 important factors in making the right decision , is suitable and relating  
 150 information about the subject of decision which is process properly , will have  
 151 negative effects for decision maker.[Akbari 1389]. According to loss ownership  
 152 concentration in the big institutes and the presence of non-obligated members in  
 153 directorate , problems arise from representation in companies and increase the  
 154 need the external auditing. According to the theoretical basis and high impact of  
 155 ownership concentration on the auditing fee, relationship between supervising  
 156 the directorate structure and auditing fee is related to the ownership  
 157 concentration and ownership concentration can have a great role in relationship  
 158 between supervising the directorate structure and auditing fee and decrease and  
 159 increase of ownership concentration will affect strongly the relationship  
 160 dimensions of the directorate and auditing fee and for this research is very  
 161 necessary In Iran .

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162 Richard bozec mohamed dia (2017) in their article entitled "to survey control on  
 163 directorate and auditing fee" survey the effect of ownership concentration on the  
 164 relationship between directorate combination and auditing fee in a period 2002  
 165 to 2008 on Canada stock market. Their research results showed that in companies  
 166 with more centralized directorate there is a positive relation a many directorate  
 167 combination and auditing fee.

168 Salim(2016)in his article entitled "concentration of ownership, family firms and  
 169 the chances of selecting on auditor in emerging financial markets" survey the  
 170 influenced ownership concentration and family firms for auditing request with  
 171 high quality on Indonesia stack market. Their research result show that companies  
 172 with high concentration have more willingness to employ great auditing  
 173 companies , when company handles with family this relation is negative.

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174 Kasai(2014)in the study entitled ownership structure , auditing fee and auditing  
 175 quality in Japan , there is evidence that how the relation among accounting

## UNDER PEER REVIEW

176 Obligation items (is measured with obligation items quality)and unusual  
177 auditing fees moderate by ownership structure.

178 Results show that high auditing fee , compromises auditors independence  
179 and consequently auditing quality is reduces.

180 These results show that the existence of high institutional shareholders increase  
181 the quality of obligatory items. In addition about relationship among auditing  
182 quality and auditing fee understand that this relation is moderate with  
183 institutional shareholders. Ben Ali&lesage [2012] in studies which entitled  
184 auditing pricing and the nature of control shareholders :evidence from France.  
185 Looking for the answer to this question that, will auditors be used in order to  
186 reduce representation costs from ownership different types as a controlling  
187 mechanism or not? They used from Symonic model of auditing fee to consider the  
188 impact of controlling shareholders on the auditing fee in accepted companies in  
189 French Stock Market.

190 According to the results there is inverse relationship among auditing fee and  
191 government shareholders and there is direct relationship among auditing fee and  
192 institutional shareholders but, there is no relationship among auditing fee and  
193 family shareholders. These results show the combined effects of the nature of  
194 ownership on auditing fee. Hu and partners [2012] investigate the relationship  
195 among institutional ownership and auditing fee .The sample they studied contains  
196 1428 accepted companies in Chinese Stock Market in2008. The result of their  
197 research shows that the companies control by central government pay fewer  
198 auditing fee than companies were controlled by local governments .

199 Dicender and partners in their investigation about the relationship between  
200 corporate governance features and auditing fee concluded that auditing services  
201 and directorate independence when the ownership is scattered are  
202 complementary, which show that centralized ownership and directorate  
203 combination are suitable alternatives for each other to control the management  
204 and also concluded that there is relationship among directorate

205 combination[independence and duality of manager ] and auditing fee. Nasirzadeh  
206 and Gholami [1396]

207 Investigate the effect of avoiding tax from auditing fee and affection of company  
208 management mechanisms on relationship between avoiding tax and auditing fee.  
209 In this research will investigated the relationship between auditing fee with  
210 variables avoiding tax ,type of auditing institution , institutional ownerships ,  
211 directorate independence ,reaction of tax and the type of auditing institution,  
212 reaction of avoiding tax and institutional shareholders and the reaction of tax and  
213 directorate independence .

214 The research method is practical and statistical method includes typical least  
215 squares regression pattern. Statistical sample of research includes 142 accepted  
216 companies in Tehran Stock Market from 1387 to 1393. Test result of research  
217 hypothesis show that , avoiding tax , institutional shareholders , directorate  
218 independence and reaction of avoiding tax and directorate independence have  
219 meaningful relationship with auditing fee and reaction of avoiding tax and there is  
220 no relationship between type of auditing institution, reaction of avoiding tax and  
221 institutional shareholders and reaction of avoiding tax and type of auditing  
222 institution with auditing fee . Lari and Oradi[1395] in his article entitled auditing  
223 committee characteristics and auditing fee: evidence from Tehran Securities Stock  
224 Market investigate the effect of auditing committee features [include of financial  
225 expertise, independence and size]on the auditing fee . So related data about  
226 company features that accepted in Tehran Stock Market in period 1391 to 1393  
227 were extracted. The research hypothesis test carried out with the help of  
228 combined data regression model. Research results showed that financial expertise  
229 and independence of auditing committee have meaningful relationship with  
230 auditing fee. But meaningful relationship was not observed among auditing  
231 committee and auditing fee. Also in related to the controlled variables used to  
232 this research , findings show that there is positive and meaningful relationship  
233 between financial leverage , the ratio of incoming and stock goods , size of  
234 auditing institute and the number of directorate meetings with auditing fee. Lary  
235 Dasht Bayyaz and Eghbal [1395] checked out the effect of directorate

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236 independence and auditing fee on the basic public supply value of 102 accepted  
237 countries in Tehran Stock Market during 1381 to 1392. For this reason data related  
238 to accepted companies in Tehran Stock Market has been extracted. Testing  
239 research hypothesis has been done with the help of combined data regression  
240 model. The results of research showed that financial expertise and independence  
241 auditing committee have a positive and meaningful relationship with auditing fee.  
242 But there is no meaningful relationship between the size of auditing committee  
243 and auditing fee. Also in related to control data used to this research, findings  
244 showed that there is positive and meaningful relationship between financial  
245 leverage, ratio of incoming and stock goods, size of auditing institute and  
246 number of directorate meetings with auditing fee, Derakhshi and partners [1394]  
247 checked out the effect of ownership structure and financial structure on the  
248 auditing fee among accepted companies in Tehran Stock Market. For this  
249 reason with the use of research condition, choose 92 companies as a  
250 sample period of 1386 to 1392. The research method is after occurrence and  
251 method of analyzing data is correlation and regression. In this research they used  
252 variable of ownership institutional investors, free float stocks ownership  
253 concentration, governmental ownership as a ownership structure indicators and  
254 also debt to asset ratio, long term debt ratio to non-current asset, capital cost  
255 rates indicator financial structure. Research results show that ownership  
256 concentration and governmental ownership has a positive effect on auditing  
257 fee and institutional ownership investor has negative effect on it. Mohammad  
258 Azadi and Mohammadi 1394 have an article had been entitled:  
259 institutional ownership, ownership concentration and auditing fee. The goal of  
260 this research is to check out effect of institutional ownership and owners  
261 concentration on the auditing fee services. For this reason from financial  
262 statements of 51 companies which accepted during 1387 to 1391 were collected  
263 and were analyzed with Eviews software. The results show lack of relationship  
264 between institutional ownership with auditing fee and relationship between  
265 ownership concentration with auditing fee evaluated meaningfully and  
266 positively.

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268 **3 Research goals and hypotheses**

269 According to importance of the effect of ownership concentration supervisory on  
270 the relationship between directorate performance and auditing fee the genera  
271 goal of this research is the effect of ownership concentration on relationship  
272 between directorate performance and auditing fee in accepted companies in  
273 Tehran Securities Stock Market . According to studies and theoretical bases  
274 , research hypothesis is presented as follow:

275 Substantive hypothesis

276 Ownership concentration moderates the relationship between directorate and  
277 auditing fee of accepted companies in Tehran Securities Stock Market.

278 Sub hypothesis

279 1-Ownership concentration focus has a meaningful effect on the auditing fee of  
280 accepted companies in Tehran Securities Stock Market.

281 2-Ownership concentration moderates the relationship between directorate  
282 independence and auditing fee of accepted companies in Tehran Securities Stock  
283 Market.

284 3-Ownership concentration moderates the relationship between institutional  
285 ownership and auditing fee of accepted companies in Tehran Securities Stock  
286 Market.

287 4-Society and Statistical sample of research

288 Because the time realm of this research is the beginning of 1390 to the end of  
289 1395, so statistical society contains all accepted companies in Tehran Securities  
290 Stock Market.

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291 Systematic removal sampling method is applied with following terms:

292 1-Required information is available to calculate research operational variables.

293 2-At least from the year 1390 was accepted in stock market and be active until  
294 end of research period.

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295 3- The end of their financial year is Esfand 29th and did not change the financial  
296 year during the research period.

297 4-Not parts of financial companies, investment and banks.

298 5-During research period and do not have more than 3 months any trading  
299 interruption.

300 Eventually final sample size is according to Systematic Removal Method of 122  
301 companies.

302

303 5- Research model and operational definition of variables.

304 Models that be used in order to hypothesis

305 test, include a basic model and because required variables in regression model  
306 calculated with spreadsheet application , eventually after calculating all necessary  
307 variables and enter data in Stata and Eviews softwares to study hypotheses , the  
308 research main model is estimated .In this research according to research of  
309 Recharo mohammad [2017] for research hypotheses test, used from following  
310 regression model, respectively for first to third hypotheses test:

311

$$Lnfee_{i,t} = \beta_0 + \beta_1 con_{i,t} + \beta_2 ins_{i,t} + \beta_3 indp_{i,t} + \beta_4 Big_{i,t} + \beta_5 Optype_{i,t} + \beta_6 Size_{i,t} + \beta_7 Lev_{i,t} + \beta_8 \frac{B}{M_{i,t}} + \varepsilon_{i,t}$$

$$Lnfee_{i,t} = \beta_0 + \beta_1 con_{i,t} + \beta_2 ins_{i,t} + \beta_3 indp_{i,t} + \beta_4 con_{i,t} * indp_{i,t} + \beta_5 Big_{i,t} + \beta_6 Optype_{i,t} + \beta_7 Size_{i,t} + \beta_8 Lev_{i,t} + \beta_9 \frac{B}{M_{i,t}} + \varepsilon_{i,t}$$

$$Lnfee_{i,t} = \beta_0 + \beta_1 con_{i,t} + \beta_2 ins_{i,t} + \beta_3 indp_{i,t} + \beta_4 con_{i,t} * ins_{i,t} + \beta_5 Big_{i,t} + \beta_6 Optype_{i,t} + \beta_7 Size_{i,t} + \beta_8 Lev_{i,t} + \beta_9 \frac{B}{M_{i,t}} + \varepsilon_{i,t}$$

312 **Dependant variable**

313 LNFEF:company natural logarithm of auditing fee in current year.

314

315 Moderate variable : CON:percentage of ownership concentration when sum of  
 316 shareholders percentage stock that have more than 50%of the company's share,1  
 317 otherwise 0.

318

319 **Independent variable**

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321 INS: the percentage kept by public and governmental companies is from the total  
 322 equity capital which contains this companies : Insurance companies, financial  
 323 companies, banks, governmental institute and the other parts of government.

324 INDP : managers independence that will be obtained from division of  
 325 independent directors to the whole members of directorate.

326 Control variable

327 BIG : virtual variable which is the auditor of auditing company takes number1  
328 otherwise 0.

329 Optype= the kinds of auditor comments encoded as follow:

330 1: Accepted with explanation clause

331 2: Conditional

332 3: Failure to comment or reject

333 SIZE: Reagents the size of company .

334 LEVERAGE: Financial leverage company which is equal with total debt divided  
335 by total assets.

336 B/mi,t:the ratio of the book value to the market value of the company.

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338 **6-Research findings**

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340 .1.6 Descriptive statistics

341 Descriptive statistics included the set of methods that apply for , collection,  
342 briefing, classification and description of numerical facts. In the other word  
343 descriptive statistical shows information about central parameters and  
344 dissemination of research data .So the most important function of these variables  
345 is understood better the result of the test .

346

347 Table 1: Descriptive statistics of research variables

variable name	variable symbol	average	medium	maximum	minimum	standard deviation
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auditing fee natural logarithm	LNFEET	13.93931	13.75728	18.86298	9.957149	1.641667
percentage of concentration ownership	CONS	0.357671	0.352606	0.959800	0.114367	0.152304
institutional ownership	INS	0.546843	0.569283	0.943945	0.000000	0.241035
managers independence	INDP	0.517545	0.600000	1.000000	0.000000	0.220445
type of auditing company	BIG	0.383880	0.000000	1.000000	0.000000	0.486662
kinds of auditor 's opinion	OPTYPE	0.334699	0.000000	1.000000	0.000000	0.472208
company size	SIZE	13.98969	13.77700	19.10620	10.50455	1.551219
financial leverage	LEVERAGE	0.576548	0.585494	0.996719	0.065760	0.184492
the ratio of book value to market value	BM	0.509974	0.408251	3.763977	0.003234	0.405336

Comment [U35]: Explain the content of this table

348 206 Inferential statistics

349 1.2.6 Determine suitable model for regression estimating model.

350 According to existing research literature and also the nature of research  
 351 hypothesis in this research used combined data.For determine the suitable

352 model[compilation or labeling with panel effects or by accident]for hypothesis  
 353 test used F Limer tests and Husman tests.

354

355

356 Table 2:Results of F limer test and husman test

Result	P - value	test state	type of test	hypothesis
Panel	0.0000	2.84	F limer	first
Panel	0.0000	2.86	F limer	second
Panel	0.0000	2.80	F limer	third
fixed effects	0.0000	41.18	husman	first
fixed effects	0.0000	41.47	husman	second
fixed effects	0.0000	45.39	husman	third

357 3.2.6 Regression hypothesis model

358 [Variance Heterogeneity]

359 Before doing any interpretation of regression results we must investigate model  
 360 hypothesis to verify results and make assurance from ability to retrieve model  
 361 regression results.

362 In this research to preventing false regression is used from compatible co variance  
 363 matrix to strengthen regression against variance heterogeneity.

364 Self affiliation

365 To check out lack of self -affiliation in the results of regression model is used from  
 366 Watson-camera state .If the state of Watson -camera is among 1/5 and 2/5there  
 367 is no self-affiliation problem between remnants. According to tables 4 to 6 there  
 368 isn't self-affiliation problem between the remnants.

369 To check out lack of coherent is used from variance inflation index test. When  
 370 states indicators less than 10 shows the lack of coherent .When this indicator is  
 371 between 10 and 30 shows moderate coherent and when is more than 30shows  
 372 intense coherent .According to table 3 and variables variance inflation index size  
 373 which is less than 10 was found that there isn't coherent between research  
 374 variables.

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381 Table 3 : test of variance inflation index

variance inflation index	variable symbol	variable name
1.02	CONS	percentage of ownership concentration
1.01	INS	institutional shareholders
1.01	INDP	director's independence
1.01	BIG	type of auditing company
1.01	OPTYPE	types of auditing comments
1.02	SIZE	financial leverage
1.02	SIZE	size of company
1.04	LEVERAGE	financial leverage

1.02	BM	ratio of book value to market value
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382 4.2.6

383 Research hypothesis test

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386 Table 4: Results of regression model with fixed effect panel data method (first hypothesis)

p-value	t state	co efficient	variable symbol	variable name
0.0000	5.137737	2.733559	a	width from origin
0.0037	2.911196	0.112327	CONS	percentage ownership concentration
0.0817	1.743555	0.018307	INS	institutional shareholders
0.0056	2.783005	0.000695	INDP	manager's independence
0.0252	2.243865	0.011007	BIG	kind of auditing company
0.0094	- 2.604147	- 0.034785	OPTYPE	kinds of auditor's comments
0.0000	25.54028	0.930902	SIZE	size of company

0.0000	-27.15290	1.998698	LEVERAGE	financial leverage
0.0000	25.05472	-1.395711	BM	ratio of book value to market value
0.0000	significant statistics F			
2.17	Watson camera state			
0.99	$R^2$			
0.99	ADJ- $R^2$			

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389 First hypothesis is explained as follow:

390 Ownership concentration on auditing fee of accepted companies in Tehran  
 391 Securities Stock Market has meaningful effect . According to zero hypothesis that  
 392 is based on ownership concentration is meaningful in 95 confidence level and is  
 393 equal with zero that shows lack of effect of variables on independence variable.  
 394 Just tables 4and 5 show , ownership concentration probability level is less than  
 395 0/05 ,so zero hypothesis failed and this variable is meaningful. This subject means  
 396 that ownership concentration influences the auditing fee of accepted companies  
 397 in Tehran Securities Market. According to calculated effect co efficient for CON  
 398 variable is equal to [0/12], shows that this variable is chosen in sample has  
 399 positive and direct effect on auditing fee of accepted companies . Adjusted  
 400 determined co efficient in model is equal with 0/99,shows 99% changes of  
 401 dependent variable is explained by right side variables model. On the other hand  
 402 no difference between the adjusted co efficient determination [ADJ-R2]shows  
 403 that independent variables added to model chosen correctly. Although 1%from  
 404 dependent variable changes didn't explain by the right side variables but  
 405 according to F fisher state and significance level of it, can said this model can  
 406 relate independent variable with dependent one.

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Table 5 :Results of regression model with fixed effect panel data method(second hypothesis)

P_VALUE	t state	co efficient	variable symbol	variable name
0.0000	4.972537	2.644646	a	width from origin
0.0000	4.844335	0.424916	CONS	percentage ownership concentration
0.0377	-2.083165	-0.023223	INS	institutional shareholders
0.0000	4.789876	0.003895	INDP	manager's independence
0.0001	-3.983575	-0.009148	INDP*CONS	concentration*manager's independence
0.0854	1.723187	0.008281	BIG	kind of auditing

				company
0.0125	-2.505620	-0.034013	OPTYPE	kinds of auditor's comments
0.0000	26.15850	0.927845	SIZE	size of company
0.0000	-25.81876	-1.959638	LEVERA GE	financial leverage
0.0000	-26.64082	-1.389978	BM	ratio of book value to market value
0.000	significant statistics F			
2/17	Watson camera state			
0/99	R <sup>2</sup>			
0/99	ADJ-R <sup>2</sup>			

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Second hypothesis is explained as follow:

426 "Ownership concentration moderates the relationship between directorate  
427 independence and auditing fee of accepted companies in Tehran Securities Stock  
428 Market."

429 Although zero hypothesis is based on that co efficient level 95% is meaningful and  
430 equal with zero that shows no influence of variables on dependent variable . such  
431 as the table 4 and 5 show the probability level of concentration and  
432 independence of managers is less than 5%,so zero hypothesis rejected and this

433 variable is meaningful. This means that ownership concentration moderates the  
434 relationship between directorate independence and auditing fee of accepted  
435 countries in Tehran Securities Stock Market. Because the calculated co efficient of  
436 influence for variable[CONS\*INDP] is equal with [-0/009] and on the other side  
437 there is meaningful and positive relationship between directorate independence  
438 and auditing fee shows that ownership concentration moderates the relationship  
439 between directorate independence and auditing fee of accepted companies in  
440 Tehran Securities Stock Market .

441 Adjusted co efficient determination in model is equal with 0/99 that explains  
442 99%from changes of dependent variable is explained by right side variables. On  
443 the other side there is no difference between adjusted co efficient determination  
444 [ADJ-R2] and determined co efficient R2 shows that independent variable that  
445 added to model chosen correctly. Although 1% of changes of dependent variable  
446 didn't explain by right side variables but according to F fisher state and its  
447significance level , can be said this model can relate between variables and  
448 independent ones.

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466 Table 6 : Results of regression model with fixed effect panel data method(third hypothesis)

P-value	statistical t	co efficient	variable symbol	variable name
0.0000	5.225406	2.728715	a	width from origin
0.2132	1.246160	0.097559	CONS	percentage of ownership concentration
0.4879	-0.694038	-0.027581	INS	institutional shareholders
0.0062	2.749041	0.000689	INDP	manager's
0.7976	0.256630	0.025963	INDP*CONS	institutional shareholders*concentration
0.0195	2.342830	0.010929	BIG	type of auditing company
0.0092	-2.614427	-0.034824	OPTYPE	kinds of auditor's comments
0.0000	25.33039	0.931581	SIZE	size of company
0.0000	-27.36827	-1.997104	LEVERAGE	financial leverage
0.0000	-24.92247	-1.395839	BM	the ratio of book value to market value
0.0000	significant statistics F			
2.17	Watson camera's statistics			

0.99	$R^2$
0.99	ADJ- $R^2$

467 Third hypothesis is explained as follow:

468 Ownership concentration moderates the relationship between institutional  
 469 owners and auditing fee of accepted companies in Tehran Securities Stock  
 470 Market.

471 Although zero hypothesis is based on co efficient institutional [owners  
 472 \*concentration] at insurance level is 95% meaningful and is equal to zero that  
 473 shows ineffective of variables on the dependent variable and just like tables 4-6  
 474 show .Concentration probability level of institutional owners is more than 5%, so  
 475 zero hypothesis rejected and this variable has no significance level. This means  
 476 that ownership concentration do not moderate relationship between institutional  
 477 owners and auditing fee of accepted companies in Tehran Securities Stock  
 478 Market. Adjusted co efficient determination in model is equal with 0/99 explains  
 479 99% of changes of dependent variable is explained by right side variables. On the  
 480 other side there is no difference between adjusted co efficient determination  
 481 [ADJ-r2] and determine co efficient R2 shows that independent variables added  
 482 to model ,chosen correctly . Although 1% dependent variables doesn't explained  
 483 by right side variables, but according to F fisher state and significance level of it ,  
 484 can be said that this model can relate between dependent variable and  
 485 independent ones.

Comment [U36]: Check please

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487 **7. Conclusion**

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489 Independence auditing by improving reliability and increase of credit financial  
 490 reporting process , helps to usefulness of this process and the efficiency of  
 491 capital markets. Auditing quality depends on different factors especially  
 492 ownership concentration . The goal of this research is regulatory impact of  
 493 ownership concentration on relationship between directorate function and  
 494 auditing fee of accepted companies in Tehran Securities Stock Market. Such the  
 495 results show ownership concentration has a meaningful and positive effect on

496 auditing fee of accepted companies in Tehran Securities Stock Market. This  
497 subject shows that companies with high concentration has higher tendency to  
498 recruitment big auditing institutes. The results of this hypothesis are consistent  
499 and compatible with all internal researches such as Derakhshi and partners [1394]  
500 Mohammad Azadi and mohammadi[1394]and also with external researches such  
501 as Salim[2016] Richardo Mohammed [2017]. On the other side ownership  
502 concentration moderates the relationship between directorate independence and  
503 auditing fee of accepted companies in Tehran Stock Market. On the other side the  
504 positive effective of directorate independence on auditing fee and the effect of  
505 directorate concentration and change the directorate independence direction  
506 show the importance of ownership concentration. This conclusion is consistent  
507 and compatible with internal researches such as Lary and Oradi[1395]Lary dashti  
508 bayyaz and Eghbal [1395]and also the results of external researches such as Salim  
509 [2016] and rechardo mohammed [2017].According to results of research  
510 proposals based on research findings for shareholders, managers and all  
511 beneficiaries in stock market as following is suggested:

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512 \_Recommended to the directors of the stock organization to the rules about  
513 corporate governance and compulsory minimum of ownership concentration,  
514 increase the quality of auditing companies.

Comment [U39]: the Stock

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515 \_According to results of second hypothesis the level of concentration is the  
516 ownership of one of the influential factors on a relationship between directorate  
517 independence and auditing fee, recommend to analyzers that analyze the  
518 auditing fee with the degree of ownership concentration and don't conclude one-  
519 sided conclusions about level of auditing fee.

Comment [U41]: the second

520 \_According to lack of researches that considers ownership concentration as a  
521 determining factors ,auditing institutes and auditing organizations can use from  
522 the results of this research in order to initial estimated from auditing fee have a  
523 better evaluation than the existence potential representation problems that is  
524 related to presence of such owners in company.

525 \_ Potential shareholders can improve their investment decisions , according  
526 to results of this research and similar researches about kinds of companies  
527 ownership , and know more about how to influence the types of owners in  
528 companies on the desired company.

529

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