

Providing a Model for Improving the Efficiency and Effectiveness of the Audit Committee with a Grounded Theory Approach¹

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Research Paper

INTRODUCTION

Following the financial scandals, numerous frauds, and obvious failures of corporate governance in some countries, suggestions, and measures were proposed regarding the responsibilities and powers of the audit committee, such as mandatory or voluntary status, membership, and independence. In this regard, this considered be can process change part of a broad agenda regarding the "globalization" of corporate governance. of course, the mere existence of the audit committee in the company does not ensure the quality of financial reporting and the existence of sufficient and appropriate controls. considering the key role of the audit committee in the corporate governance structure, the necessity to pay attention to the efficiency and effectiveness of this committee is an issue that has attracted the attention of researchers, authorities and legislative bodies. Fulfilling the responsibility of this committee efficiently and effectively is very important, and is neglected in most of the audit committees of companies in Iran.

The research was conducted in Iran to investigate the relationship or effect of some characteristics of audit committees. such as independence, size, specialization, the number of meetings or experience of committee

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members on financial reporting quality, profit quality and management, conservatism, information disclosure, and or other variables such as audit quality. In addition to this, in some studies, the mentioned variables have been compared before and after the formation of audit committees, and for this purpose, most of the studies have used regression models.

The purpose of this research is to determine the factors (components) of the efficiency and effectiveness of the audit committee and develop a model for improving the evaluation of the efficiency and effectiveness of the audit committee according to the current conditions, environment, and atmosphere governing the audit committees of the company to achieve the goal of this research, which does not seek to prove or disprove any particular claim, but merely seeks to provide a model for improving the efficiency and effectiveness of the audit committee, there is no need to propose a hypothesis for this research.

MATERIALS AND METHODS

This research, which is considered qualitative and exploratory research, by using the qualitative research method, has tried to present the model for improving the efficiency and effectiveness of the audit committee by the method of grounded theory. To achieve this goal, in 2018 and 2019, in-depth interviews were conducted with 21 experts in the field of audit committees, the members of the board and audit committees, and university professors. The method of identifying and selecting these people is that they either have research or published books in the field of the audit committee or they have been members of the audit committee.

RESULTS AND DISCUSSION

The results of the research indicate that the most important causal conditions for evaluating the efficiency and effectiveness of the audit committee are classified into three levels: the individual, the audit committee, and the company. These conditions at the individual level include personality traits, gender, moral traits, service compensation system, experience, and intelligence. at the level of the audit committee, the conditions of environmental requirements, environmental incentives and pressures, interaction (with management, auditors, etc.), the number, composition of members, and the number of meetings and decisions of the

audit committee can be mentioned, and at the company level, the organizational characteristics of the employer, Cultural factors and organizational culture and business characteristics and competition in the market are part of the causal conditions. also, according to the opinion of experts, the behavioral characteristics and expertise of the committee members at the individual level proper communication and interaction with other institutions and devices, responsiveness and accountability, Tenure and independence of the audit committee at the level of the audit committee as well as the characteristics of corporate governance, functional and structural company, legal restrictions, supervision of the audit committee, demand an effective audit committee. Ownership characteristics and economic factors at the company level are considered among the intervening conditions for evaluating the efficiency and effectiveness of the audit committee. in addition to the mentioned conditions, based on the opinion of the interviewees, they also stated conditions as background conditions for evaluating the efficiency and effectiveness of the audit committee; these conditions include the accounting and financial environment of the country, the economic structure of the country, the position of the audit committee in the social and cultural characteristics and factors. the findings of this research show that strategies such as financial reporting, internal audit, independent audit, and reporting are adopted to evaluate the efficiency and effectiveness of the audit committee finally, the conceptual model of the research showed that the efficiency and effectiveness of the audit committee lead to consequences such as improving the quality of financial reporting, securing the interests of stakeholders, increasing productivity, adding value to the organization and strengthening and helping to fulfill the supervisory responsibilities of the board of directors.

CONCLUSION AND SUGGESTION

According to the number of codes extracted from the interviews conducted from the concepts and categories that were fully explained and as mentioned in the problem statement of this research, in the current conditions and environment of Iran, the audit committee does not have an influential position and companies formally establish their audit committee and, in many cases, the audit committee charter has been ignored or the

independence of the members is lost. therefore, it is suggested, authorities and institutions such as the management pillars of companies (general meetings, boards of directors, etc.), the stock exchange organization, the Iranian Association of Certified Accountants (IACPA), the Audit Organization and all stakeholders appropriately should use the results and achievements of this research.

Keyword: Corporate Governance, Efficiency, and Effectiveness of the Audit Committee, and the Quality of Financial Reporting.

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