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INVESTIGATING THE IMPACT OF SOMECORPORATE GOVERNANCE MECHANISMS ON RISK REPORTING

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ABSTRACT

Accounting scholars believe that the study of the role of corporate governance in the level of reporting risk adds a new and important dimension to the quality of financial reporting literature. Accordingly, accounting and management professional associations pay special attention to the area of reporting risk due to the occurrence of fraudulent behaviors in financial reporting. This study Investigating the Impact of Some Corporate Governance Mechanisms on Risk Reporting Also in the present study, 144 companies in the period 2015-2020 have been studied. Multivariate panel regression was used to test the hypotheses. Findings show that there is a significant negative relationship between board independence and ownership concentration with the level of reporting risk.

KEYWORDS: *Mechanisms, Corporate Governance, Risk Reporting.*

1. INTRODUCTION

Major corporate scams and failures at the international level such as Enron, World com, Adelphia involving accounting irregularities, highlighted the need for good corporate governance regulations to be implemented by the corporations worldwide (Rajab and Schachler, 2009). In the year 2007/2008,world got confronted with the biggest credit crunch, i.e. Global financial crises followed by the Satyam computer scam in India in 2009 which re-kindled the debate on weak corporate governance regulations exhibiting lack of transparency by the corporations. The improved risk reporting possesses potential to contribute towards steadier environment for investment activity, by regaining the lost confidence of investors. Institute of Chartered Accountants in England and Wales (1999) envisage that companies should benchmark the information in their annual reports against their known risks, and then divulge adequate information which will allow users to decide about the magnitude and significance of each risk disclosure. It also suggests to the listed companies who need new capital, should not hesitate to disclose relevant information to the investors. The past events have channelized studies towards analyzing risk disclosures by corporations in developed countries i.e. UK (Linsley and Shrives, 2000; 2006; Abraham and Cox, 2007; Linsley and Lawrence, 2007; Abraham and Shrives, 2014; Elshandidy and Neri, 2013; 2015) and USA (Hassan, 2009) and in developing countries i.e.

Malaysia (Amran et al. 2008); Nigeria (Adamu, 2013) and Egypt (Baroma, 2014). These studies have documented benefits accruing by divulgating information on risks. According to Beretta and Bozzolan (2004) and Abraham and Cox (2007) risk information disclosure caters to massive needs of the investors i.e. determining the risk profile of the company, estimation of market value and meticulously forecasting the company's security prices. It also helps to reduce cost of capital (Linsley and Shrives, 2000, 2006) and aid in managing change (Abraham and Cox, 2007). Further need for risk management was highlighted for maximization of shareholders wealth, elevating profitability and simultaneously reducing probability of financial failure (Solomon et al., 2000).

Besides these advantages, Institute of Chartered Accountants in England and Wales (1997) in discussion document "Financial reporting on Risk-Proposal for statement of Business risk" put forth key hindrances in providing risk information by companies (a) its commercial sensitivity leading to proprietary and non-proprietary costs (b) forward looking information is inherent to unreliability which can lead to claim by investors on acting on such information (Linsley and Shrives, 2005). Within this perspective managers may indulge in voluntary risk information divulgation for strategic reasons. The Agency Theory (Jensen and Meckling, 1976) argues that information disclosure will reduce agency cost. The interest of the managers and principal, i.e. shareholders and various stakeholders diverge leading to agency problems, involving expropriation of outside investors and lender's interest by insiders of the company. In a similar manner the Signalling Theory by Akerl of (1970) underpins that investors may not be able to demarcate high quality companies i.e. those who are able to identify and manage risk efficiently than low quality companies. It is vital that companies voluntarily disclose information by signaling to the markets, various efforts taken to reap the benefits accruing from such disclosure. Consistent with these theories the Stakeholders Theory (Freeman, 1984) also supports voluntary disclosure, since managers' job is to escalate the interest of various stakeholders overtime. In the wake of increasing need for risk information disclosure and advantages from such disclosure has motivated prior research to study general firm characteristics that propagates divulgation of risk information (Amran et al., 2008; Oliveria et al., 2011; Adamu, 2013; Baroma, 2014; Madrigal et al., 2015).These studies suffer from some limitations that pave a way for further research in this area. Firstly, existing studies have mainly studied general firm characteristics such as firm size, profitability, level of risk, industry. Previous studies investigating the impact of corporate governance characteristics on risk disclosure are scarce (Abraham and Cox, 2007; Oliveira et al., 2011; Elshandidy and Neri, 2015) especially in developing countries (Ntim et al., 2011; Mokhtar and Mellet, 2013). It limits our understanding as to which corporate governance characteristics leads to divulgation of risk information. Corporate disclosure decisions including risk disclosure is in the hands of company board (Beretta and Bozzolan, 2004).

Secondly, most of the studies have examined risk disclosure by analysing accounting standard i.e. Financial Instruments: Disclosure (Hassan,2009; Mokhtar and Mellet, 2013; Atanasovski, 2015) accounting for financial risk but companies confront innumerable non-financial risks which are still unaccounted for and need to be studied for a broader perspective. Thirdly, mostly prior risk disclosure studies, perform content analysis of annual reports of companies using a sentence as a coding unit (Beretta and Bozzolan, 2004; Linsley and Shrives, 2006; Amran et al., 2009 and Oliveira et al., 2011) it has certain limitation that the present study will overcome by using word count. Given this background, the present study attempts to make contribution to risk disclosure literature and bridges the research gap. Firstly, it extends our knowledge of risk disclosure by the Indian listed companies in the absence of mandatory accounting standard on risk disclosure, namely Financial Instruments: Disclosure, accounting for financial risk. The term financial risk accounts for major changes in interest rates; commodity/equity prices; as well as financial instrument derivatives; credit default risk, liquidity risk and capital adequacy/insolvency risk (Ntim et al. 2011).The non adoption of this accounting standard is a challenge for the study for capturing risk disclosure. Secondly, the study analyses various corporate governance board characteristics (board size, gender diversity on the board, presence of independent directors on board, CEO duality, board activity) and ownership concentration effect on risk disclosure. Dobler et al. (2011) suggests to study risk disclosure in countries with weak risk reporting legislation and to examine the impact of corporate governance on risk disclosure. Lastly, the study contributes to risk disclosure literature in Indian context after Berger (2012) conducted a study using a small sample of 26 companies on risk disclosure. In particular India's position as an emerging economy deserves utmost attention because of common law origin country (Laporta et al. 1998). Poor law enforcement arising from irrational delay in justice delivery system thus aggravates the role of other internal governance mechanism in reducing agency costs for shareholders (Ganguli and deb, 2016). It propels to analyse risk disclosure in Indian context. The study is structured in six sections. After the introduction, the second section reviews previous risk disclosure literature and sheds light on the current situation of corporate governance and risk regulations for Indian listed companies. Section three proposes the research hypotheses. Section four discusses the research methodology adopted in the current study. Section five, assimilates the multivariate regression findings and finally, the last section draws conclusion with the implications of the findings.

2. Institutional background, prior literature, and hypothesis development

2.1. Prior Literature on Risk Disclosure

Previous studies have analysed quantity and quality of corporate risk disclosure on the basis of the accounting standard followed within their national scope i.e. mandatory disclosure and beyond the scope of mandatory accounting standard i.e. voluntary disclosure. In Europe, the context of risk disclosure was highly researched in United Kingdom. Linsley and Shrives (2000) threw light on various benefits and obstacles in the way of risk information disclosure discussed by Institute of Chartered Accountants in England and Wales (ICAEW), 1998 pointing towards the need for forward looking risk disclosure as against backward historical disclosure. In an empirical study of UK companies, it was found, that listed companies were making general and repetitive disclosure over a period of time (Abraham and Shrives, 2014) and level of readability was very difficult in annual reports questioning the emphasis on additional disclosure (Linsley and Lawrence, 2007). A good risk disclosure was reported more as against bad risk disclosures (Linsley and Shrives, 2006). Abraham and Cox (2007) found that firms publish internal control risk and financial risk but not business risk. Also, firms with higher levels of systematic, financing risk and risk adjusted returns exhibited highest level of aggregated and voluntary risk disclosure (Elshandidy et al., 2013). These studies were conducted in a country where accounting standard on Financial Instruments: Disclosure was mandatorily followed by the companies. It leaves the room open to study risk disclosure in those countries where this accounting standard is not mandatory, primarily risk disclosure is in its preliminary stage to find out principle factors underlying such disclosure. With respect to Finnland, in 2006 Finnish Accounting Practice Board (FAPB) published a comprehensive standard on risk disclosure to ascertain significant risks in operating and financial reviews. The quality of risk disclosure was high with respect to the Finnish companies after the release of comprehensive standards on risk disclosure (Miihkinen, 2012; 2013). It draws attention that in a country where exclusive standard on risk exists better is divulgation of risk information. In Itlay, Beretta and Bozzolan (2004) found that risk information disclosure by the Italian companies was vague, generic, backward looking, qualitative which coincides with the finding of the studies (Combes Thuelin et al., 2006; Lajili and Zeghal, 2005; Linsley and Shrives, 2006). In the context of the Malaysian and the Canadian companies risk information was qualitative and it was found that the Canadian companies disclose financial risks while Malaysian companies reveal strategic risk the most (Amran et al., 2008 and Lajili and Zeghal, 2005). In the Indian perspective Berger (2012) found that no separate section in the annual report of companies exists where the users can directly access the risk information. Lack of compulsory regulation on risk disclosure led to very low quality and dispersed information disclosure.

2.2. Corporate Governance and Risk reporting

Corporate risk disclosure has gained attention due to major financial scandals which have shaken the confidence of present and potential investors, propelling towards the need of strict norms to be implemented by the regulatory bodies through adoption of effective corporate governance regulations. Corporate Governance in India gained impetus at the time of liberalization during 1990's. It was introduced by the Confederation of Indian Industry (CII), on voluntary basis to be followed by Indian companies. Very shortly, it acquired mandatory status in 2000s through introduction of Clause 49 of listing agreement to Indian stock exchange. The Birla Committee was set up by Securities and Exchange Board of India for promoting and upgrading standard of corporate governance and amendments were incorporated in Clause 49. From time to time amendments are being introduced for strengthening corporate governance practices in order to keep pace with the international standards. The risk reporting practices in Indian companies is driven by three statutes namely The Companies Act, 1956, Securities and Exchange Board of India, Institute of Chartered Accountants in India. The Companies Act, 1956 through the Ministry of Corporate Affairs defines the role, power and responsibilities of directors and set the guidelines for the companies, but lacks regulations for the directors of the company with respect to risk management. The Companies Act, 1956 has been replaced by Companies Act, 2013 in the partial manner after receiving assent of the President of India on 29thAugust, 2013. The Act incorporates the role and functions of independent directors and emphasizes that directors should satisfy themselves on the integrity of financial information and systems of risk management. It also highlights that a statement should be laid before a company in a general meeting, a report by board of directors incorporating statement indicating development and implementation of risk management policy, including identification of risk that threatens the existence of a company. The second regulatory body i.e. Securities and Exchange board of India, prime stock market regulator issued Revised Clause 49 listing agreement to Indian stock exchange on 31stDec, 2005 which defines that company shall lay down procedure to inform board members about risk assessment and minimization procedure adopted to deal with such risks along with periodical review procedure followed by the company. Further it stated that company should also discuss risk as part of director's report or Management discussion and analysis report under the Downloaded by head "Risk and Concerns". In the wake of enhancing the disclosure on risks, SEBI has issued Listing Obligation and Disclosure Requirements, 2015 which encompasses guidelines for setting up a separate Risk Management Committee by the company. Lastly, the Institute of Chartered Accountants in India (ICAI) has issued accounting standards, AS-30 Financial Instruments: Recognition and Measurement, AS-31 Financial Instruments: Presentation, AS-32 Financial Instruments: Disclosure, which accounts for financial risk and have been made applicable on the companies in the year 2015-16 on voluntary basis and will be applicable 2016-17 compulsorily.

Despite the various initiatives taken by the regulatory bodies in India, divulgation of the information on the issue of corporate risk disclosure is still in its primary stage. The information disclosure on risk by the Indian listed companies in their annual reports is a small chunk of discussion based primarily on the SEBI's Clause 49 till the time it is mandatorily enforced by The Companies Act 2013, SEBI's Listing obligations and Disclosure Requirements, 2015 and Accounting Standards on Financial risk disclosure issued by ICAI.Past studies (Abraham and Cox, 2007; Oliveira et al., 2011; Ntim et al., 2013, Elshandidy and Neri, 2015) have identified variables that can affect corporate risk disclosure. This study draws from this the corporate governance (Nandi and Ghosh, 2012; Subramanyam and Dasaraju, 2014; Madani, 2015) the voluntary disclosure (Chau and Gray,2002; Akhtaruddin et al., 2009; Dashti et al., 2014) and corporate social responsibility literature (Ibrahim and Angelidis,1994; Barako and Brown,2008; Khan et al., 2013; Majeed and Saleem,2015; Muttakin and Subramanian, 2015) to identify potential drivers of corporate risk disclosure in the Indian settings. The present study centers around firm level corporate governance, quality in the form of Board characteristics (i.e. Independence of the board) and ownership concentration. It also investigates general firm characteristics, namely firm size, firm profitability, level of firm risk, capital structure and firm growth's influence on the extent of risk disclosure in the annual reports following previous studies. According to the above topics, the research hypotheses are as follows:

Hypothesis 1: There is a relationship between board independence and the level of reporting risk.

Hypothesis 2: There is a relationship between ownership concentration and reporting risk.

3- RESEARCH METHOD

This research is applied in terms of correlation method and purpose. Also, because this article describes what is or describes the existing conditions without interference (and not to the specific requirement and recommendation) and due to the fact that value judgments in this study are low, the present study is in the category of descriptive accounting research. Are. In addition, due to the fact that historical information will be used to test its hypotheses, it is classified in a quasi-experimental research group. It should be noted that SPSS software (version 21) and Eviews (version 9) were used for statistical analysis.

4- Models and how to measure variables

According to the main title of the research on the effect of political relations and business groups on the level of cash accumulation, The model and method of measuring variables and the hypothesis test model based on the research of Theo et al. (2018) are presented as follows:

Hypothesis 1: $FRR_{it} = \beta_0 + \beta_1\, INDNONEXE_{it} + \beta_2\, CENTRALGOV_{it} + \beta_3\, INSTITUTIOND_{it} + \beta_4\, SIZE_{it} + \beta_5\, ROA_{it} + \beta_6\, B_{it} + \beta_7\, LEV_{it} + \beta_8\, GROWTH_{it} + e_{it}$

Hypothesis 2: $FRR_{it} = \beta_0 + \beta_1\, LARG\_OWN_{it} + \beta_2\, CENTRALGOV_{it} + \beta_3\, INSTITUTIOND_{it} + \beta_4\, SIZE_{it} + \beta_5\, ROA_{it} + \beta_6\, B_{it} + \beta_7\, LEV_{it} + \beta_8\, GROWTH_{it} + e_{it}$

4-1- How to measure the Reporting risk

The dependent variable in this research is reporting risk According to the research of Saggar and Singh (2017), the model of Francis et al. (2005) based on Dechow and Dicho (2002) is used to calculate it.

$$TCA = \alpha_0 + \alpha_1\, CFO_{it-1} + \alpha_2\, CFO_{it} + \alpha_3\, CFO_{it+1} + \alpha_4 \Delta REV_{it} + \alpha_5\, PPE_{it} + \varepsilon_{it}$$

TCA: is the sum of Company i's total accruals in year t, which is used to calculate the variable of net Earnings before contingent items minus operating cash.

CFO: Cash flow from i's operating activities in year t, t-1 and t + 1

ΔREV: Change in the Revenueof company i,between years t-1 and t.

PPE: The amount of property, plant and equipment (gross) of company i in year t.

ε: Company's reporting risk index in year t.

In the above model, to eliminate the effect of company size, all variables are standardized according to the average of total company assets during the period. In this research, the standard deviation of the model residuals is used as an indicator for the quality of accruals (AQ) so that εit indicates the error of estimating accruals relative to cash flows. To calculate the reporting risk from the residual values, absolute value is taken and the larger values are considered as high reporting risk and the smaller values are considered as lower reporting risk.

4-2- How to measure company Political connections

In this study, the variables of corporate governance are as follows (Saggar and Singh, 2017):

-**Independence of the Board Of Directors**: is obtained from the ratio of non-executive members to the total number of board members.

-**Concentration of Ownership**: Also in this research to calculate the concentration of ownership, the Herfindahl-Hershman index (HHI) is used, the equation of which is as follows:

$$HHI = \sum_{i=1}^{k} (S_i)^2$$

In this equation, Si represents the shareholder of an institution, which means the ownership of more than 5% of institutions and foundations, semi-governmental units and charitable foundations and investment institutions (legal entities).

4-3- Control Variables

Following the research of Saggar and Singh (2017), the control variables are considered as follows:

- Company risk: To measure this variable, the level of company risk Beta (systematic risk) is used.

- Financial institution shareholder index: It is a fictitious variable that is equal to one if the largest shareholders are financial institutions and otherwise equal to zero.

- Government Shareholder Index: It is a fictitious variable that is equal to one if the percentage of government shareholder is more than 50% and otherwise equal to zero.

- Company profit growth: Profit growth after tax is used to measure this variable.

- Company size: This variable is measured based on the natural logarithm of total assets.

- Return on assets: This variable is obtained by dividing the net profit by the total assets.

- Financial leverage: This variable is obtained by dividing debts by total assets.

5- Society and Statistical Sample

The statistical population of this research includes all companies listed on the Tehran Stock Exchange and the statistical sample includes companies that have all the following characteristics:

1- In order to observe their comparability, the financial year of the companies should end at the end of March of each year.

2-During the research period, they have not stopped their activities and have not changed their financial period.

3-All the information needed by companies for research is available.

4- Not be part of banks and financial institutions (investment companies, financial intermediation, holding companies and leasing companies).

5- Accepted on the stock exchange before 2015 and continue until 2020.

Applying the above conditions, 144 companies have been included in the statistical sample of this research.

6- RESEARCH FINDINGS

6-1-Descriptive statistics of research variables

The results of descriptive analysis of research variables are presented in Table (1).

TABLE (1) DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES IN THE WHOLE

Kurtosis	Skewness	Std. Dev.	Minimum	Maximum	Median	Mean	**Variable**
2.558	0.615	0.038	0.007	0.266	0.056	0.065	Reporting Risk (FRR)
3.032	-0.348	0.191	0.000	1.000	0.600	0.664	Board Independence (INDNONEXE)
2.599	0.082	0.208	0.051	0.994	0.507	0.495	Concentration of ownership (LARG_OWN)
3.162	0.652	1.385	10.166	19.066	13.866	14.006	Company size (SIZE)
5.303	0.128	0.138	-0.513	0.621	0.080	0.094	Return on Assets (ROA)
7.475	0.889	1.028	-2.859	7.714	0.680	0.763	Company risk (B)
11.219	1.561	0.243	0.090	2.422	0.629	0.630	Financial Leverage (LEV)
8.575	-0.086	0.099	-0.517	0.522	0.007	0.009	Profit growth (GROWTH)

TABLE (2) DESCRIPTIVE STATISTICS OF THE FREQUENCY OF RESEARCH VARIABLES

Mean	**Variable**
Year - Companies with private ownership (non-governmental ownership): 518 Year - Companies with governmental ownership: 346	Government Shareholder Index (CENTRALGOV)
Year - Companies with the largest shareholder of the financial institution: 581 Year - Companies without the largest shareholder of the financial institution: 283	Financial institution shareholder index (INSTITUTIOND)

According to the descriptive statistics, the above indices can be divided into central indices, dispersion and other indices, of which the central indices are the mean and median indices, the dispersion indices are the standard deviation index and the other indices are The index is maximum, minimum, skewness and elongation. In short, In summary, the average financial leverage shows that the statistical sample companies provided 63% of their debt structure and the rest of their equity component for their capital structure. This can be due to two reasons. The first reason: Statistical sample companies have a high credit rating in terms of financing. The second reason is that raising capital through equity is probably more binding .Regarding the negative skewness coefficient of some variables, it can be said that this indicates the existence of skewness to the right and the tendency of these variables to smaller values. The positive coefficients of elongation also indicate this which is higher than the normal distribution and the data is centered around the mean.

6-2- Test of normality of distribution of research dependent variable

Since in this research, in order to estimate the model parameters, the ordinary least squares method is used and this method is based on the assumption that the dependent variable of the research has a normal distribution, so it is necessary to test the normality of the distribution of dependent variables.

TABLE (3) RESULTS OF THE STUDY OF THE NORMALITY OF THE DISTRIBUTION OF DEPENDENT VARIABLE

K-S test results (normality)						Variable
Sig. (2-tailed)	Kolmogorov-Smirnov Z	Minimum	Maximum	Std. Dev.	Mean	
0.177	1.145	0.007	0.266	0.038	0.065	(FRR)

According to Table (3) after the normality test, the significance level of K-S statistic for the dependent variable (Risk Reporting) increased to higher than 0.05, so hypothesis H0 that the distribution of the variable is normal is accepted and indicates it. The dependent variable of the research has a normal distribution; therefore parametric statistical methods are used to test the research hypotheses.

7-Test results of Research Hypotheses

Given that the main question of the researcher is Investigating the Impact of Some Corporate Governance Mechanisms on Risk Reporting so hypotheses are formulated, the results of which are as follows:

7-1- Test Results Of the First Main Hypothesis

Hypothesis 1 There is a relationship between board independence and the level of reporting risk.

TABLE (4) RESULTS OF MODEL ESTIMATION FOR THE FIRST MAIN HYPOTHESIS OF THE RESEARCH

Statistics VIF	Prob	Statistics t	Coefficient	Variable name and symbol
1.071	0.021	-2.173	-0.017	(INDNONEXE)
1.172	0.015	-2.436	-0.011	(CENTRALGOV)
1.014	0.669	0.427	0.000	(INSTITUTIOND)
1.235	0.022	-2.172	-0.005	(SIZE)
2.189	0.009	-2.631	-0.029	(ROA)
1.058	0.013	2.452	0.001	(B)
2.020	0.240	1.173	0.009	(LEV)
1.708	0.187	1.320	0.016	(GROWTH)
-	0.008	2.641	0.090	Constant
1.811	Durbin-Watson	13.304 (0.000)	Statistics F (Sig)	
6.513 (0.210)	Jarque-Bera (Probability)	0.738	(R-squared)	
Prob. 0.110		2.897	Godfrey	
Prob. 0.000		8.457	White	
Prob. 0.020		18.081	H-hausman	

Prob. 0.000	13.269	F-limer

The test results of the first main hypothesis are presented in Table (4), the significant level of F-limer statistic is less than the accepted error level (5%), so the panel data method is preferable to the solid data method. Also, due to the fact that the significant level of H-Hausmann statistic was less than the accepted error level (5%), the regression method with fixed effects is preferable to the regression method with random effects. In the next step, according to the significance level of White statistic, is 0.000 and regression has variance heterogeneity. Accordingly, the least modified squares have been used to solve the problem. In the next step, Godfrey statistic was also tested, so the significance level of this statistic is more than the accepted error level (5). This indicates that regression does not have a serial autocorrelation problem. Then, considering that the F statistic (0.000) has a significance level below (5%), so regression has explanatory power. The coefficient of determination of the model also indicates that 73.8% of the variable changes Risk Reporting, Explained by the variables entered in the model. Also, in examining the classical regression assumptions, the results of the Jarkobra test indicate that the residuals obtained from the model estimation have a normal distribution at the 95% confidence level. So that the significance level of this test is greater than 0.05 (0.210). Also considering that the statistic value of the Watson camera is between 1.5 and 2.5 (1.811) Therefore, it can be said that in the model, there is no problem of residual self-correlation.

Finally, according to the significance level of the board independence variable (independent variable) which is below 0.05 (0.021), so there is a significant negative relationship between board independence and reporting risk. Among the control variables, there is a significant negative relationship between government shareholder index, company size and asset return rate with reporting risk and a significant positive relationship between corporate risk and reporting risk. Finally, with the alignment test between the research variables, the value of VIF (variance inflation factor) statistic for all variables is less than 5 and indicates that there is no severe alignment problem between the research variables.

7-2- Test results of the second main hypothesis

Hypothesis 2.There is a relationship between ownership concentration and reporting risk.

TABLE (5) RESULTS OF MODEL ESTIMATION FOR THE SECOND MAIN HYPOTHESIS OF THE RESEARCH

Statistics VIF	Prob	Statistics t	Coefficient	Variable name and symbol
1.088	0.024	-2.256	-0.021	(LARG_OWN)
1.222	0.016	-2.394	-0.011	(CENTRALGOV)
1.022	0.702	0.382	0.000	(INSTITUTIOND)
1.241	0.027	-2.203	-0.005	(SIZE)
2.036	0.009	-2.548	-0.029	(ROA)
1.056	0.010	2.450	0.001	(B)
2.040	0.255	1.138	0.009	(LEV)
1.708	0.192	1.304	0.016	(GROWTH)
-	0.014	2.452	0.088	Constant
1.813	Durbin-Watson	13.310 (0.000)	Statistics F (Sig)	
6.513 (0.210)	Jarque-Bera (Probability)	0.738	(R-squared)	
Prob. 0.358		1.208	Godfrey	

Prob. 0.000	8.221	White
Prob. 0.036	16.473	H-hausman
Prob. 0.000	13.250	F-limer

The test results of the first main hypothesis are presented in Table (5), the significant level of F-limer statistic is less than the accepted error level (5%), so the panel data method is preferable to the solid data method. Also, due to the fact that the significant level of H-Hausmann statistic was less than the accepted error level (5%), the regression method with fixed effects is preferable to the regression method with random effects. In the next step, according to the significance level of White statistic, is 0.000 and regression has variance heterogeneity. Accordingly, the least modified squares have been used to solve the problem. In the next step, Godfrey statistic was also tested, so the significance level of this statistic is more than the accepted error level (5). This indicates that regression does not have a serial autocorrelation problem. Then, considering that the F statistic (0.000) has a significance level below (5%), so regression has explanatory power. The coefficient of determination of the model also indicates that 73.8% of the variable changes Risk Reporting, Explained by the variables entered in the model. Also, in examining the classical regression assumptions, the results of the Jarkobra test indicate that the residuals obtained from the model estimation have a normal distribution at the 95% confidence level. So that the significance level of this test is greater than 0.05 (0.210). Also considering that the statistic value of the Watson camera is between 1.5 and 2.5 (1.813) Therefore, it can be said that in the model, there is no problem of residual self-correlation. Finally, according to the significance level of the ownership concentration variable (independent variable) which is below 0.05 (0.024), so there is a significant negative relationship between ownership concentration and reporting risk. Among the control variables, there is a significant negative relationship between government shareholder index, company size and asset return rate with reporting risk and a significant positive relationship between corporate risk and reporting risk. Finally, with the alignment test between the research variables, the value of VIF (variance inflation factor) statistic for all variables is less than 5 and indicates that there is no severe alignment problem between the research variables.

8- CONCLUSIONS AND RESEARCH SUGGESTIONS

Accounting scholars believe that the study of the role of corporate governance in the level of reporting risk adds a new and important dimension to the quality of financial reporting literature. Accordingly, the professional associations of accounting and management pay special attention to the field of reporting risk due to the occurrence of fraudulent behaviors in financial reporting. In this study, the relationship between corporate governance and risk reporting in Tehran Stock Exchange companies has been investigated. Research findings show that there is a significant negative relationship between board independence and ownership concentration with the level of reporting risk. In the Iranian capital market, the boards of directors in a symbolic position, have different duties and with the number of executives and independent managers have monitoring and control tools that have a limiting role on the amount of reporting risk. In general, board composition as one of the corporate governance mechanisms focuses on reducing reporting risk.

Because in Iranian stock exchange companies are often significant ownership of state-owned companies, therefore, to meet the needs of users, the ownership concentration mechanism has a limiting role on the level of reporting risk.

Because the results of this research can be used in the decision-making process, this research is applied in terms of purpose. Therefore, suggestions for each of the research beneficiaries are briefly stated. It is suggested that the stock exchange organization update the by-laws of the company's management system and formulate more effective mechanisms and notify all companies for action. It is suggested that the board of directors of companies, given the negative relationship between the independence of the board of directors and the concentration of ownership with reporting risk, upgrade these two indicators in the structure of the board to continue to play a limiting role on reporting risk. It is suggested that the accountants of the accounting profession (auditing organization) take the necessary measures to organize and formulate the relevant standards in order to prevent and control the unhealthy situation and submit financial reports.

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