

## Effect of industry-specialist auditors, auditor's tenure, and auditor's size on the quality of disclosure in the UAE Stock Exchange

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### Abstract

Having access to real-world information and accurate data is a key factor in improving auditor performance, which in turn impacts business performance and decision-making. Consequently, this research aims to determine how financial institutions' levels of experience impact the accuracy of the information they disclose. The present statistical population consists of all 127 businesses listed on the United Arab Emirates Stock Exchange. This type of research is categorized as applied studies in relation to the research methods used in the UAE stock market. Using a systematic deletion procedure, 46 companies were chosen based on the study's inclusion criteria. The findings revealed that in the UAE, the quality of financial information disclosure for companies listed on the UAE stock exchange is significantly affected by the auditor's decision-making experience, the duration of their job, and the size of the auditor.

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### 1. Introduction

Financial institutions without the in-house knowledge to comprehend and respond to evolving financial regulations may find navigating complicated accounting concerns to be an insurmountable obstacle. By contributing to the preparation of approved financial reports professionally and accurately, with a commitment to applying both international and local accounting and auditing standards, auditors help ensure that everyone, including business owners, can make confident accounting decisions [1]. Companies rely heavily on accounting information provided to them by companies' departments and market bodies when making decisions, so these reports enjoy trust and credibility in the stock markets and among companies in these markets because they are issued by a neutral party representing the expression of a technical opinion by a neutral professional and verified by a third-party auditor. As a result, auditors play a role in making the securities market more open and transparent, which in turn helps to improve market stability. This is because accounting data is used to set, establish, or install the relative price structure of securities, and it is a stable matter in the market. As a general rule, the market will react positively to good accounting information (profits) and negatively to bad accounting information (losses) in proportion to the quality and nature of the information [2]. This is particularly true when it comes to information about a company's yearly profits.

A major issue with the research is that not all auditors are dedicated to providing accurate and transparent information. When auditors fail to adhere to professional standards of conduct, ethics, and knowledge, it undermines the credibility of the auditing profession and the trust that companies and individuals rely on it for their needs. Legal documents pertaining to the auditing profession in the UAE also contain the research problem. Looking at those texts, we see that the auditor still has a long way to go before he can carry out his job impartially and independently. These challenges stem from issues with his appointment, the mechanics of his job, and reports in general. This will surely have an adverse effect on how stock market companies' actual financial situations are portrayed since it causes investors to lose faith in the accounting data presented in those reports and ultimately causes those companies to withdraw from the market. It is also arguable that the recent financial crises—which have resulted in the downfall of several financial markets and the loss of assets for numerous large international corporations and institutions—are primarily attributable to the failure to adequately disclose relevant information, as well as to provide beneficiaries, who are stockholders in these companies, with accurate and trustworthy financial data. Because auditors stand as a trustworthy authority who can help those involved in the securities markets rationalize their actions, the financial markets rely substantially on accounting information when making investment or trading decisions.

This study is significant because it examines the impact of auditors' efforts to be open and honest about their clients' financials on UAE stock market companies in a way that benefits those companies, makes sure people have access to reliable information and helps the market become more efficient and stable. Users of financial statements, firms, and financial intermediaries in the UAE stock market rely on auditors to instill confidence in financial statements, reports, and the data and information related to them. Because of this, auditors must follow professional ethics so that the companies who gain can Information pertaining to joint-stock businesses listed on the UAE Stock Exchange can be confidently obtained from the financial statements. Research in this area is crucial because it seeks to answer questions about how auditors in the stock market help businesses and those who rely on financial statements reach their objectives and make informed investment choices. Therefore, this research on auditors' responsibilities in promoting openness and disclosure in the stock market is crucial.

## **2. Literature review**

### **2.1. Quality of disclosure**

According to Belkoi, in his book on accounting theories, disclosure is defined as information that is both helpful to the average investor and does not mislead them. He goes on to say that for financial statements to be fully disclosed, they must have a better depiction of the economic events influencing the economic unit during a certain period can be achieved with proper planning and preparation [3]. Financial reports must be comprehensive and presented fairly according to Mishivari's disclosure principle, which is one of the accounting principles [4]. Similarly, disclosure is defined by the American Accounting Association as the transfer of information from the private to the public sphere. The term "disclosure" refers to one of the fundamental accounting concepts, and it encompasses practically every aspect of financial reporting. Financial statements must be as clear, informative, and comprehensive as feasible for reporting reasons to adhere to the aforementioned objective. Put simply, financial reporting is all about making sure that financial statements have enough relevant information for users to make informed decisions and not be misled. It's about providing meaningful information and making sure that users can trust the information [5].

### **2.2. The size of the auditor**

It is common practice to utilize big audit firms as a measure of audit quality. When competing with other major audit companies, D'Angelo claims that large audit firms want and need substantial and high-quality audits more than smaller ones. This criterion has been brought up multiple times in different studies; this variable is practically defined as either zero or one [6]. Researchers typically utilize this criterion while trying to figure out what elements play a role in choosing a competent auditor. The auditor's size is frequently utilized as both an independent and dependent variable because it is checked by the employer. Previous studies have shown that

larger and more influential auditing organizations consistently produce better audits than their smaller and less influential counterparts. Research has shown that large audit company owners, for instance, tend to have better profit quality, lower fraud probability, low re-presentation of financial statements, high continuity of activity, and more thorough analyst analysis [7]. Large auditing companies are expected to deliver more than small ones, according to earlier studies.

### **2.3. Industry-specialist auditors**

A key factor influencing audit quality is the auditing firm's degree of competence in the relevant business area [8]. One sign of an auditor's competence is when they come up with novel solutions to problems faced by business owners or when they come up with novel ideas to solve problems faced by business owners; both of these things make auditing more effective [9]. Expertise in the firm's industry has been used as a factor for audit quality [10]. Actually, in the self-employed sector, audit quality is directly proportional to auditor expertise; that is, a higher level of expertise results in a higher-quality audit, whereas a lower level of expertise results in a lower-quality audit. One way to evaluate an auditor's competence is to look at their market share [11]. An auditor is considered to have exceptional competence in a given field if, relative to his rivals, he has captured a disproportionately big portion of the private sector auditing market. This is according to the market share method.

### **2.4. Tenure of the auditor**

Opponents and proponents of the employment of auditors argued about this issue. Proponents of reducing the number of auditors employed argue that this will have a negative impact on the auditor-employer relationship in the long run due to the erosion of auditor independence and the need for a fresh perspective on auditing. They think that auditors' information gaps widen due to forced rotation, which in turn raises the information gap between employers and auditors and lowers audit quality. Thirty percent of those with legal claims had audit tenures of three years or less, according to the research results from the survey. Due to the auditor's unfamiliarity with the employer, warnings may be generated. As a result, auditors may report some transactions more cautiously or conduct more tests in order to prevent potential audit risks in their work. However, familiarity grows with tenure, which diminishes audit independence. Additionally, auditors become semi-informed due to their excessive trust in management after working for a long time [12].

### **2.5. Development of hypotheses**

One way that audit firms set themselves apart from the competition is by specializing in certain areas. This helps them meet the unique needs of their clients and gives them an advantage over their competitors when it comes to features other than price. Companies audited by industry experts typically have fewer discretionary accruals, according to previous research [13]. The quality of audits is a mediator between the efficacy of external auditors and the reliability of financial reports. Findings indicated that auditor tenure significantly lowers FRQ, industry knowledge significantly increases it by reducing EM practices, and auditor size has no effect on FRQ at all. In addition, the findings indicated that the auditor's size negatively impacts audit quality, whereas the auditor's industry knowledge and auditor's tenure favorably and considerably impact audit quality [14]. The research examined the impact of auditor experience and industry knowledge on financial statement comparability, focusing on company life cycles. According to their findings, both the overall comparability of financial statements and their maturity stage are positively and significantly impacted by the auditor's industry experience. Furthermore, financial statements at various points in a company's life cycle regardless of the auditor's tenure are comparable [15].

To what extent do corporations aid decision-making in the content of their basic financial statements and the notes accompanying them are a measure of the quality of disclosure? A comprehensive overview of the company's financial situation and performance outcomes is provided by this data. All user groups should be promptly given information pertaining to the company's operations in accordance with the quality characteristic of disclosure, which is associated with the presentation of accounting information. Information disclosure

primarily serves to aid users in making investment decisions, understanding the company's financial position, assessing management performance, and forecasting cash flows. To that end, all relevant information about the economic unit must be accurately and comprehensively presented to facilitate any decision-making and to forestall any possibility of misunderstanding. Basic financial statements and other statutory reports should contain all pertinent and up-to-date information to give disclosure. So that consumers may make educated decisions, this data should be easily comprehensible and as comprehensive as possible [16].

Hypothesis 1: Financial information disclosure quality is significantly related to the auditor's sector knowledge.

The value of shares, the attractiveness of capital, and the company's growth are all enhanced by the complete disclosure of information. For one thing, according to the principle of disclosure, financial statements should provide all pertinent information that customers need to make educated judgments. However, the primary goal of disclosure is to provide investors and analysts with accurate information regarding the quantity and timing of future cash flows. This helps with financial analysis and allows for a better prediction of future earnings. Consequently, superior reporting data is the result of more openness and disclosure for stockholders. Nevertheless, complete transparency may be hindered by worries about CEO traits. The primary responsibility for determining the overarching course of the company's operations lies with management [17]. Researchers looked at audit quality, audit tenure, audit fees, audit firm size, and auditor sector expertise using data from listed companies in Indonesia. According to their findings, audit fees and industry specialization the auditor's discretionary accruals have a detrimental impact on audit quality, whereas audit tenure and company size have a beneficial influence. Based on these findings, audit firm size and audit duration are critical components of high-quality audits [18].

Hypothesis 2: The length of time an auditor has been in their position is significantly related to how well they disclose financial information.

In a well-functioning market, players make rational decisions based on accurate information, which boosts economic growth and social welfare. Information disclosure is essential for different user groups to make educated decisions, particularly investors. However, economic units are hesitant to disclose financial information sufficiently due to the costs involved and the lack of external pressure, as well as legal and professional requirements. In order for accounting and financial reporting to achieve their aims, all relevant information must be reported in a way that is both desirable and easily accessible. Nevertheless, complete transparency may be hindered by worries regarding the authority of management. The primary function of management is to direct the overall operations of the business. Shareholders and management are compelled to influence accounting information in a way that benefits their economic interests due to the impact of accounting information disclosure quality on these interests [19].

The mediating role of audit quality in the relationship between external auditor effectiveness and financial reporting quality was examined in a recent study. Findings indicated that auditor tenure significantly lowers FRQ, industry knowledge significantly increases it by reducing EM practices, and auditor size has no effect on FRQ at all. Results also indicated that auditor tenure, industry knowledge, and auditor size all had positive and substantial effects on audit quality, while auditor size had a negative influence [20].

Hypothesis 3: The quality of financial information disclosure is significantly related to the size of the audit firm.

### **3. Methodology**

A descriptive and correlational approach is taken in the investigation. This research is descriptive because its goal is to provide a detailed account of the phenomena or conditions that are the subject of the study; it is also practical because it seeks to understand the stock exchange by analyzing the relationships between various variables. This study sought to examine the relationship between auditor size, auditor tenure, and auditor industry expertise as it pertained to the profit quality and disclosure quality of financial information for

companies listed on the United Arab Emirates Stock Exchange. The following models will be utilized to examine the research hypotheses in this study, modeled after those employed in the work of [21]:

#### Hypothesis 1

$$OPAQUE_{it} = \beta_0 + \beta_1 SPEC_{it} + \beta_2 Size_{it} + \beta_3 AGE_{it} + \beta_4 MTB_{it} + \beta_5 LEV_{it} + \beta_6 ROE_{it} + \beta_7 Growth_{it} + \beta_8 WC_{it} + \beta_9 ROA_{it} + \varepsilon_{it}$$

#### Hypothesis 2

$$OPAQUE_{it} = \beta_0 + \beta_1 AT_{it} + \beta_2 Size_{it} + \beta_3 AGE_{it} + \beta_4 MTB_{it} + \beta_5 LEV_{it} + \beta_6 ROE_{it} + \beta_7 Growth_{it} + \beta_8 WC_{it} + \beta_9 ROA_{it} + \varepsilon_{it}$$

#### Hypothesis 3

$$OPAQUE_{it} = \beta_0 + \beta_1 AS_{it} + \beta_2 Size_{it} + \beta_3 AGE_{it} + \beta_4 MTB_{it} + \beta_5 LEV_{it} + \beta_6 ROE_{it} + \beta_7 Growth_{it} + \beta_8 WC_{it} + \beta_9 ROA_{it} + \varepsilon_{it}$$

Research variables are measured in the following way:

The OPAQUE quality of disclosure: The quality of information disclosure will be assessed in this research using accrual-based accounting standards. Accruals, a measure of the transparency of financial reporting, will be computed annually using the modified model of Jones (1997). Consequently, the following formula is employed to measure financial information Correlation coefficient disclosure in this research:

$$\frac{TA_{i,t}}{A_{i,t-1}} = a_1 \left( \frac{1}{A_{i,t-1}} \right) + a_2 \left( \frac{\Delta REV_{i,t}}{A_{i,t-1}} \right) + a_3 \left( \frac{PPE_{i,t}}{A_{i,t-1}} \right) + \varepsilon_{i,t} \quad (1)$$

In this formula, total accruals are derived by subtracting operating cash from operating profit.

The following relationship is used to determine non-discretionary accruals (NDA) after the parameters of the aforementioned model have been estimated.

$$NDA_{i,t} = a_1 \left( \frac{1}{A_{i,t-1}} \right) + a_2 \left( \frac{\Delta REV_{i,t} - \Delta RCE_{i,t}}{A_{i,t-1}} \right) + a_3 \left( \frac{PPE_{i,t}}{A_{i,t-1}} \right) \quad (2)$$

The final step is to use the following relationship to determine optional accrual items (DACC).

$$DACC_{i,t} = \frac{TA_{i,t}}{A_{i,t-1}} - NDA_{i,t} \quad (3)$$

The following relationship will be used to quantify financial information disclosure once discretionary accruals have been calculated.

$$OPAQUE_{i,t} = Abs(DACC_{i,t-1}) + Abs(DACC_{i,t-2}) + Abs(DACC_{i,t-3}) \quad (4)$$

1. Industry-specialist auditors (SPEC): To determine an auditor's level of competence in a given field, this study looks at their market share. This is accomplished by dividing the total assets of all auditing firm owners in a given industry by the total assets of all owners in that industry. Then, the institutions whose market share is greater than this formula are deemed industry experts (number one), and those who are not are deemed as non-experts (zero number).  $[1.2x \text{ (companies in the industry/1)}] < \text{market share of the auditing firm}$
2. Auditor tenure (AT): In accounting, "tenure" refers to the length of time an auditor has worked for an audited unit, counting from the first year of employment. Hence, this research takes into account the tenure from two years before the start of the research period to calculate this variable based on the measurement year.
3. The size of the auditor firm (AS): In this study, the size of the auditing institution will be determined by determining if the unit under consideration has been audited by the UAE Finance Agency, a government auditing agency. If this is the case, the number will be 1; otherwise, it will be considered as 0.
4. Size of the company (SIZE): The natural logarithm of the total assets of the company yields this variable.
5. Age of the company (AGE): The natural logarithm of the company's age yields this variable.
6. The ratio of market value to the book value of equity (MTB): The market value divided by the book value of equity yields this variable.

7. Financial leverage (LEV): Divide the total liabilities of the company by the total assets to get this variable.
8. Profitability (ROE): The net profit divided by the entire equity yields this variable.
9. Sales growth (SG): You may find this variable by comparing the company's sales growth rate from one year to the other.
10. Working capital (WC): Divide the difference between the company's current assets and current liabilities by its total assets to get this variable.
11. Return on assets (ROA): To get this metric, we divide the net income of the business by its total assets.

All 127 businesses that have been admitted to the UAE Stock Exchange between 2015 and 2022 make up the statistical population for this research. A statistical sample of the research-accessible population was chosen using the systematic elimination approach and applying the following conditions to the sampling process.

1. All companies included in the study must have their audited financial statements readily available.
2. During the research period, the business units that are being investigated must be actively trading on the stock market.
3. Are not associated with any banking or financial organization, including investment firms, intermediaries, or holding organizations.

Table 1. The selection process of the study sample in the UAE Stock Exchange

| Property   | Number of companies that do not have the desired feature |
|--|--|
| Total number of companies  | 127  |
| Deducted:  |  |
| Audited financial information of the studied companies should be available.  | 41   |
| The studied business units must be active in the stock market during the research period.                                  | 29   |
| Do not belong to banks and financial institutions (investment companies, financial intermediaries, and holding companies). | 11   |
| Total number of eligible companies   | 46   |

The research used a systematic elimination sampling strategy. The statistical population analyzed consisted of 46 businesses from the UAE that were admitted to the stock exchange. The data required to run the models is collected using this manner. Companies listed on the UAE Stock Exchange will have their information culled from a variety of sources, including the stock exchange's website and the companies' websites.

## 4. Results and discussion

### 4.1. Descriptive statistics of research variables

The average quality of information disclosure is 79.036, as shown in Table 2. From what we can see in the figure, the majority of the disclosure quality values fall within this range. A value of 79.067 is the mean for this variable. If half of the values are more than this information disclosure quality, then half of the values are lower, as this number indicates. For this variable, the highest and lowest values are 91.976 and 65.05, respectively. A standard deviation of 7.788 shows that the quality of information disclosure deviates from the mean (as measured between the two extremes). 13 is the smallest value for this variable and 28 is the highest. The standard deviation, which measures the variation in profit quality, is 4.586 as well. On average, auditors in this field have a level of competence of 0.476. You can see that the majority of auditors' industry expertise values are around this amount by looking at this figure. For this particular variable, the mean is zero. For this variable, one is the maximum, and zero is the minimum. The auditor's knowledge of the industry deviates from the norm, as shown by the standard deviation of 0.499. The auditor's average tenure is 0.499. The majority of auditor tenure values fall within this range, as seen in the figure. For this particular variable, the mean is zero.

Table 2. Descriptive statistics of research variables

| Variable | Mean   | Middle | Max    | Min    | St.d  | Crookedness | Elongation |
|----------|--------|--------|--------|--------|-------|-------------|------------|
| OPAQUE   | 036/79 | 067/79 | 976/91 | 005/65 | 788/7 | 069/0-      | 821/1      |
| SPEC     | 476/0  | 0      | 1      | 0      | 499/0 | 095/0       | 009/1      |
| AT       | 499/0  | 0      | 1      | 0      | 500/0 | 003/0       | 1          |
| AS       | 490/0  | 0      | 1      | 0      | 500/0 | 036/0       | 001/1      |
| Size     | 490/6  | 475/6  | 109/7  | 880/5  | 350/0 | 051/0       | 834/1      |
| Age      | 994/1  | 995/1  | 109/2  | 880/1  | 065/0 | 012/0-      | 795/1      |
| MTB      | 461/0  | 466/0  | 609/0  | 310/0  | 086/0 | 052/0       | 805/1      |
| LEV      | 161/0  | 161/0  | 209/0  | 110/0  | 028/0 | 059/0-      | 806/1      |
| ROE      | 408/0  | 407/0  | 509/0  | 310/0  | 058/0 | 024/0       | 776/1      |
| SG       | 699/0  | 709/0  | 879/0  | 510/0  | 107/0 | 066/0-      | 786/1      |
| WC       | 747/0  | 747/0  | 879/0  | 610/0  | 079/0 | 011/0-      | 755/1      |
| ROA      | 214/0  | 214/0  | 329/0  | 090/0  | 070/0 | 056/0-      | 785/1      |

The collinearity test shows that there is no strong collinearity between the variables that can cause problems in the estimates related to the assumptions. Therefore, these variables can be used to perform tests.

Table 3. Collinearity of research variables

| Variable | SPEC   | AT     | AS     | Size   | Age    | MTB    | LEV    | ROE    | SG     | WC     | ROA |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
| SPEC     | 1      |        |        |        |        |        |        |        |        |        |     |
| AT       | 0/049  | 1      |        |        |        |        |        |        |        |        |     |
| AS       | 0/035  | -0/034 | 1      |        |        |        |        |        |        |        |     |
| Size     | -0/020 | 0/017  | 0/049  | 1      |        |        |        |        |        |        |     |
| Age      | 0/019  | -0/030 | 0/037  | 0/017  | 1      |        |        |        |        |        |     |
| MTB      | -0/029 | -0/006 | -0/020 | 0/002  | 0/004  | 1      |        |        |        |        |     |
| LEV      | -0/065 | -0/031 | 0/044  | 0/009  | -0/001 | 0/055  | 1      |        |        |        |     |
| ROE      | 0/015  | -0/024 | 0/018  | -0/025 | 0/024  | 0/010  | 0/067  | 1      |        |        |     |
| SG       | 0/021  | -0/011 | -0/054 | 0/016  | -0/023 | 0/012  | 0/035  | -0/028 | 1      |        |     |
| WC       | 0/026  | -0/012 | 0/019  | 0/005  | 0/025  | -0/050 | -0/029 | 0/003  | -0/013 | 1      |     |
| ROA      | 0/058  | 0/032  | -0/031 | -0/021 | 0/001  | 0/021  | -0/030 | 0/016  | -0/050 | -0/012 | 1   |

Before estimating the model, it is essential to assess the importance of its variables. A normal variable is one whose mean, variance, and covariance do not vary when its time origin does; otherwise, the variable is considered to be statistically unimportant. The research variables' dependability was checked using Lin Levin Chu unit root tests.

Table 4. Analysis of significance for research variables

| Variable | Statistics | Sig.   |
|----------|------------|--------|
| OPAQUE   | -34/042    | 0/0000 |
| SPEC     | -17/284    | 0/0000 |
| AT       | -18/209    | 0/0000 |
| AS       | -22/588    | 0/0000 |
| Size     | -30/701    | 0/0000 |
| Age      | -41/472    | 0/0000 |
| MTB      | -33/397    | 0/0000 |
| LEV      | -33/581    | 0/0000 |
| ROE      | -32/660    | 0/0000 |
| SG       | -36/173    | 0/000  |
| WC       | -31/540    | 0/0000 |
| ROA      | -27/098    | 0/0000 |

Table 4 shows that the test statistics level is less than 5%. Thus, the research variables possess essential stability, taking into account that the significance level is smaller than 0.05. The assumption of equal variance for all remaining sentences is one that linear regression makes. In reality, however, this might not be the case, and we see variance heterogeneity for a variety of reasons (e.g., an inaccurate model function, the presence of outliers,

a statistical population that fails structurally, etc.). Economists have proposed several tests to look at this matter. The Brush-Pagan-Godfrey test was used to examine the hypothesis of residual variance homogeneity in this study. This study did not find evidence to support the null hypothesis that the research models do not exhibit homogeneity of variance (see Table 5).

Table 5. The consequences for the test of the constancy of the variance of the error sentence (F test)

| Model        | Statistics | Sig.  |
|--------------|------------|-------|
| Hypothesis 1 | 2/069      | 0/125 |
| Hypothesis 2 | 3/853      | 0/096 |
| Hypothesis 3 | 2/766      | 0/155 |

The assumption that the following sentences follow a normal distribution is crucial. To ensure that the erroneous sentence was normal, the Jarco-Bera test statistic was employed. Statistical analysis using the Jarco-Bera test at the 5% confidence level reveals that none of the three models is statistically significant. It follows that the null hypothesis, which states that the error term is normal, is supported by all models.

Table 6. The consequences for normality of the error sentence (JarcoBera test)

| Model        | Statistics | Sig.  |
|--------------|------------|-------|
| Hypothesis 1 | 4/157      | 0/058 |
| Hypothesis 2 | 4/005      | 0/066 |
| Hypothesis 3 | 3/706      | 0/078 |

In the following, three research hypotheses have been examined.

First hypothesis: There is a significant relationship between the auditor's expertise in the industry and the quality of financial information disclosure.

With a 95% confidence level, we can say that the auditor's expertise variable in the UAE industry is significant because the significance threshold is less than 0.05. The auditor's level of industry knowledge significantly correlates with the accuracy of the financial statements disclosed in the UAE. Based on the auditor's industry experience, 0.406 units of change in the quality of financial information disclosure may be explained by the coefficient of determination of  $R^2$ , which is 0.406. To demonstrate the predictive power of the regression equation, we need to see that the F-statistic has an overall significance value of 269.6; this indicates the variable's significance effect, which is 6.269. The absence of autocorrelation between the error components is indicated by the value of 2.049 shown by Durbin Watson's statistic, which is used to identify the independence of errors. This means that the primary independent variable is significantly related to the dependent variable.

Table 7. Analysis consequences

| Variable                              | Coefficient | St.d   | T     | Sig   |
|---------------------------------------|-------------|--------|-------|-------|
| SPEC                                  | 0/366       | 0/126  | 2/904 | 0/000 |
| AT                                    | 0/873       | 1/173  | 0/744 | 0/457 |
| AS                                    | 3/006       | 1/164  | 0/495 | 0/620 |
| Size                                  | 1/428       | 0/402  | 0/303 | 0/761 |
| Age                                   | 7/171       | 14/538 | 0/493 | 0/622 |
| MTB                                   | 3/921       | 7/004  | 0/559 | 0/575 |
| LEV                                   | 2/105       | 3/900  | 0/539 | 0/589 |
| ROE                                   | 0/806       | 5/148  | 0/156 | 0/875 |
| SG                                    | 4/588       | 5/821  | 0/788 | 0/431 |
| Fixed coefficient                     | 84/396      | 15/442 | 5/465 | 0/000 |
| The coefficient of determination      | 0/406       | F      | 6/269 |       |
| Adjusted coefficient of determination | 0/402       | Sig.   | 0/033 |       |
| Durbin-Watson: 2/49                   |             |        |       |       |

Second hypothesis: There is a significant relationship between an auditor's tenure and the quality of financial information disclosure.



For the auditor tenure variable in the UAE, the significance level for testing this hypothesis is less than 0.05, hence the null hypothesis is rejected with 95% confidence. The credibility of financial statements disclosed in the UAE is strongly correlated with the length of time an auditor has been in their position. In other words, 0.421 units of change in the quality of financial information disclosure may be explained by the auditor's tenure, as indicated by the coefficient of determination of  $R^2$ . The overall significance of the F statistic is 5.727, which means that the variable has a significance effect of 5.727. This is necessary for demonstrating the predictive power of the regression equation. A result of 2.048 for Durbin-Watson's statistic suggests that the error components do not exhibit autocorrelation. So, the main and dependent independent variables are significantly related.

Table 8. Analysis consequences

| Variable                              | Coefficient | St.d   | T     | Sig.  |
|---------------------------------------|-------------|--------|-------|-------|
| SPEC                                  | 0/106       | 0/048  | 8362/ | 0/032 |
| AT                                    | 0/868       | 0/374  | 0/739 | 0/459 |
| AS                                    | 3/021       | 6/065  | 0/498 | 0/618 |
| Size                                  | 1/644       | 4/681  | 0/351 | 0/725 |
| Age                                   | 6/462       | 14/460 | 0/446 | 0/655 |
| MTB                                   | 3/850       | 7/004  | 0/549 | 0/582 |
| LEV                                   | 2/145       | 3/902  | 0/549 | 0/582 |
| ROE                                   | 0/721       | 5/155  | 0/139 | 0/888 |
| SG                                    | 4/708       | 5/819  | 0/809 | 0/419 |
| Fixed coefficient                     | 84/038      | 15/440 | 5/442 | 0/000 |
| The coefficient of determination      | 0/416       | F      | 0/416 |       |
| Adjusted coefficient of determination | 0/408       | Sig.   | 0/408 |       |
| Durbin-Watson: 2/047                  |             |        |       |       |

The third hypothesis: There is a significant relationship between the size of the audit firm and the quality of financial information disclosure.

The audit institute size variable in the UAE has a significance threshold for testing this hypothesis that is less than 0.05. Therefore, the null hypothesis is rejected with a 95% confidence level. Indeed, in the United Arab Emirates, the quality of financial information disclosure is significantly correlated with the size of the audit company. It may be concluded that both coefficients are statistically significant, meaning that they deviate significantly from zero. A value of 0.409 for the coefficient of determination  $R^2$  indicates that the size of the auditing firm can account for 0.409 units of variation in the quality of financial information disclosure. An F-statistic of 5.765 indicates statistical significance; it reveals the impact of a variable-wise significance level of 5.765, which is essential for demonstrating the predictive capacity of the regression equation. The absence of autocorrelation between the error components is indicated by the value of 2.049 shown by Durbin Watson's statistic. This means that the primary independent variable is significantly related to the dependent variable.

Table 9. Analysis consequences

| Variable                              | Coefficient | St.d   | T     | Sig.  |
|---------------------------------------|-------------|--------|-------|-------|
| SPEC                                  | 0/463       | 0/834  | 0/555 | 0/578 |
| AT                                    | 0/927       | 1/178  | 0/786 | 0/431 |
| AS                                    | 2/796       | 6/076  | 0/460 | 0/645 |
| Size                                  | 1/704       | 4/678  | 0/364 | 0/715 |
| Age                                   | 6/413       | 14/448 | 0/443 | 0/657 |
| MTB                                   | 3/928       | 7/002  | 0/561 | 0/575 |
| LEV                                   | 2/352       | 3/916  | 0/600 | 0/548 |
| ROE                                   | 0/364       | 5/183  | 0/070 | 0/943 |
| SG                                    | 5/126       | 5/861  | 0/874 | 0/382 |
| Fixed coefficient                     | 83/392      | 15/461 | 5/393 | 0/000 |
| The coefficient of determination      | 0/417       | F      | 0/282 |       |
| Adjusted coefficient of determination | 0/411       | Sig.   | 0/409 |       |
| Durbin-Watson: 2/049                  |             |        |       |       |

The performance of industry-specialist auditors, auditor's tenure, and auditor's size on the quality of disclosure in the UAE Stock Exchange can be developed by cloud, IoT, and fog computing if implemented while keeping security issues [21-25].

## 5. Conclusion

This research set out to answer the question, "How do factors like auditor size, auditor tenure, and auditor expertise in the industry affect the quality of financial information disclosure of companies listed on the UAE Stock Exchange?" The study's findings disproved the first hypothesis, which emphasized auditor knowledge. With a significance level below 0.05, it can be concluded that there is a substantial relationship between the industry and the quality of financial information disclosure. With a significance level lower than 0.05, the study's results supported the second hypothesis, which states that auditor tenure is significantly related to the quality of financial information disclosure. Therefore, auditor tenure is related to the level of transparency in the reporting of financial data is significantly related. A strong correlation exists between the auditor's length of service and the accuracy of financial statements.

It is often assumed, according to the theoretical underpinnings of the third hypothesis, that auditors not only audit annual reports but also influence their composition. Given the existence of this effect and auditors' belief that their performance is evaluated based on the quality of their annual reports, it is highly likely that larger audit firms, which are less reliant on any one employer, will recommend that their owners include more and better information in their reports. Furthermore, audit firms are more likely to concur with the views and opinions of major audit companies. Contrarily, smaller auditing firms can't attempt to satisfy their employers' demands to keep them and can't affect their disclosure procedures. With a significance level of less than 0.05, the research results supported the third hypothesis, which states that the size of the audit firm is significantly related to the quality of financial information disclosure. Therefore, it can be concluded that there is a relationship between the size of the firm and the quality of financial information disclosure. The quality of financial information disclosure is significantly impacted by auditing.

The results indicated a strong correlation between the auditor's industry knowledge and the quality of financial information disclosure; thus, it is recommended that experts in the field be hired to audit financial statements in the United Arab Emirates. To improve the quality of audit activity in the United Arab Emirates, it is recommended to use auditors with a long tenure, as research has shown a significant relationship between auditor tenure and the quality of financial information disclosure. The research found a strong correlation between the size of the audit firm and the quality of financial information disclosure. Therefore, it is recommended that companies in the UAE be audited by large firms to ensure a high-quality audit.

## Conflict of interest

The authors declare that they have no conflict of interest and all of the authors agree to publish this paper under academic ethics.

## Author contributions

All the authors contributed equally to the manuscript.

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