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# Independence in Financial Audit Engagements. The Case of Romanian Banks

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Univ. Assistant Gabriela Lidia TĂNASE, Ph. D.,  
Bucharest University of Economic Studies,  
Department of Accounting and Audit,  
email: gabriela.tanase@cig.ase.ro

Univ. Prof. Aurelia ȘTEFĂNESCU, Ph. D.,  
Bucharest University of Economic Studies,  
Department of Accounting and Audit,  
email: stefanescu.aura@gmail.com

## Abstract

*For the external audit to ensure the credibility of the financial statements, it is a mandatory and vital requirement to maintain the independence in audit engagements. In practice, when performing the audit engagements there are various threats to independence, such as the non-audit services, the financial dependence of the auditor on its client, and the familiarity between client and auditor. The risk they pose to independence may be diminished through the rotation policy of the partner and audit firm. The rotation (voluntary or compulsory of the partner or audit firm) generates, according to the professional literature, both advantages and disadvantages, the legal practices and regulations being different from one country to another. Although the Romanian legislation does not require the rotation within the audit engagements, we believe that adopting these practices is an indication of maintaining independence and conducting a quality audit. Starting from this aspect, our research aims at the rotation practices of the banking institutions operating on the Romanian market. The results show that most banks adopt their own rotation policy of the partner and audit firm. This research may be useful to interest-holders within the banking system, as well as to the regulatory bodies in Romania.*

**Key words:** external audit, independence, rotation of the audit partner, rotation of the audit firm, the banks from Romania

**JEL Classification:** M42, G21

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