



The Influence of Sustainability Reporting on Audit Quality.

Empirical Analysis on Companies Listed on The Bucharest Stock Exchange

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Abstract

The entire range of financial and non-financial activities carried out in companies has an impact on the quality of disclosures. The audit, through its specific procedural approach, contributes to enhancing the quality of reporting by balancing the interests of the two parties involved in the reporting process, i.e. the companies and the users of the information.

The paper aims to assess the extent to which sustainability reporting influences audit quality, assessed from a dual perspective, namely that of the audited company (through the quality of the information published and insured by the audit) and that of the auditor (through the audit opinion expressed). Using information specific to companies listed on the main market of the Bucharest Stock Exchange, the study analyzes the link between a series of dummy variables associated with carrying out sustainable activities, social and environmental protection and the size of discretionary accruals, i.e. the audit opinion. The results reveal a negative relationship between the two dimensions analyzed. The involvement of companies in sustainable actions is generally interpreted as an effort that diminishes audit quality, measured from both perspectives. The effect of these social and environmental protection activities is correlated with potential manipulation of the results (decreasing the quality of financial information) and with increasing the likelihood of expressing a modified audit opinion, respectively. The results are also robust following the introduction of control variables into the analysis, such as: leverage, company growth, company size or industry.

Key words: audit quality; sustainability reports; discretionary accruals; audit opinion;

JEL Classification: M410, M420

To cite this article:

Afrăsinei, M.-B., Carp, M., Georgescu, I. E. (2024), The Influence of Sustainability Reporting on Audit Quality. Empirical Analysis on Companies Listed on The Bucharest Stock Exchange, *Audit Financiar*, vol. XXII, no. 1(173)/2024, pp. 127-138, DOI: 10.20869/AUDITF/2024/173/003

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2024/173/003>

Received: 4.08.2023

Revised: 21.08.2023

Accepted: 17.01.2024