
Implications of Auditors' Rotation in Financial Audit Reporting

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Abstract

The purpose of this paper is to study the implications of auditors' rotation on financial audit reporting in the case of companies listed on the Bucharest Stock Exchange in the period 2011-2021. It was analyzed the relationship between the rotation of audit firms and the audit opinion, the impact on the audit cost, as well as the effects on the key audit matters.

The regulatory framework has been modified at the same time for the key audit matters and the rotation of auditors, and it is therefore interesting to examine how they associate with each other. Using the descriptive statistical analysis method mainly oriented towards graphical analysis, it is illustrated that the rotation of audit firms leads to improved reporting in audit by reducing the number of modified opinions, respectively increasing the number of KAM communicated in the audit report. Finally, the change of auditor does not lead to substantial changes in the audit fees, which is why such a decision is not determined by considerations of reduction of audit costs, but rather by other reasons.

Key Words: audit rotation; audit opinion; audit fees; key audit matters; financial audit reporting;

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