
Audit Quality and Audit Market at European Level

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Abstract

Because the quality of the audit cannot be directly determined, over time, researchers have tried to analyze this subject indirectly through various indicators, such as the quality of financial reporting and audit fees. The financial audit is a subsystem of financial reporting and the main quality of the auditor is its independence from the audited company. The objective of the paper is to analyze the audit market at European level. The analysed sample includes 1080 listed companies in Europe during 2016-2022. The dominant industry in Europe is production, with production companies accounting for 50% of the sample. The auditor's independence measured by audit fees does not appear to be threatened, with a proportion of industry audit fees in the average of total company assets below 0.2% in all industries. The audit services market is highly concentrated, with 98% of all audit fees collected by the four largest audit and advisory service providers. The quality of audit services is important for financial markets because it answers to the question „how trust can one have in the credibility of the reported accounting information?”.

Key words: audit quality; audit market; audit fee; results management;

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