

AUDIT FIRM ROTATION AND AUDIT QUALITY: CASE OF THE LISTED ROMANIAN FIRMS

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Abstract: *The research paper aims to reflect the impact of audit firm rotation on the quality of audit using a questionnaire-based survey. To move towards this objective, we have performed a survey based on a questionnaire, distributed by email to the Board of Directors, Supervisory Board, Top management and Executive management of Romanian listed firms. The results suggest that although the relationship with the auditor is a good one, most of the respondents consider that (voluntary) audit firm rotation increases the audit quality. Regarding the letter issued to the audit committee, as part of the new rules introduced by the EU audit legislation which are intended to strengthen corporate governance and to enhance transparency of audits to investors and audit committees, the most of the respondents consider that additional information disclosed in the audit report tend to be more relevant to the Management of the Company. However, no relationship could be identified between the mandatory rotation and the audit opinion. Finally, we noted that the financial reporting statements suffer changes rather due to IFRS request or operational and financial activity of the auditee than to the auditor's rotation.*

Key words: *audit rotation; audit quality; audit opinion; audit committee; EU Directive*

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