FACTORS INFLUENCING THE QUALITY OF THE FINANCIAL AUDIT FROM THE AUDITOR'S PERSPECTIVE – EVIDENCE FROM ROMANIA

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Abstract
The quality of financial auditing is a primary objective for both financial auditors and the users of companies financial statements. The objective of this research is to analyse the key factors that influence the quality of financial auditing, primarily from the auditor's perspective. The purpose of the study is to provide a deeper understanding of the factors that determine audit quality by exploring how these factors affect audit outcomes, such as the type of opinion issued and the level of assurance provided, as well as the impact of auditor rotation on objectivity and the influence of audit firm size (Big 4 vs. non-Big 4) on audit quality. For the analysis, a sample of companies listed on the Bucharest Stock Exchange in both the main and secondary markets was selected. Information was extracted from the Audit Analytics database for the period 2016–2023. The results of this study confirm that Big4 auditors are generally more active on the main market, where a higher number of unmodified opinions are also recorded. The study also highlights the tendency of smaller firms or those on the secondary market to work with local auditors outside the Big 4 network. The key factors that influence the quality of financial auditing are multiple and interdependent, and understanding them is essential for improving practice in this field.

Keywords
quality, auditor rotation, audit opinion, auditor size, factors

JEL Classification
M41, M42

Introduction

In an era of economic globalisation and market volatility, the quality of financial auditing is not merely a technical issue - it is a foundational element of economic stability and public trust. Audits play a vital role in verifying the accuracy and fairness of financial reports, reducing informational asymmetries between company management and external stakeholders such as investors, creditors, and regulators. Furthermore, a strong argument

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must be made that improving audit quality is essential for ensuring transparency, protecting market integrity, and guiding informed economic decisions.

Audit quality goes beyond compliance, reflecting an entity's true financial health and supporting good governance. Poor audits distort information, risking bad decisions and systemic issues. High-quality audits are strategic tools that safeguard investor confidence and market stability.

However, defining and measuring audit quality remains challenging due to its multidimensional nature. Despite this complexity, certain key factors consistently emerge in both literature and practice as major determinants of audit quality. Among these, four stand out: auditor rotation, firm size, independence, and professional competence.

Auditor rotation helps preserve independence by reducing over-familiarity and promoting objective evaluations, despite potential drawbacks like higher costs or loss of knowledge. Similarly, audit firm size strongly influences quality. Larger firms, especially the Big Four, benefit from advanced resources, global expertise, and better risk detection, while smaller firms may face capacity limitations. Thus, firm size is not just reputation-driven but a key indicator of audit capability.

Furthermore, auditor independence is a non-negotiable pillar of audit quality. When auditors are influenced by long-standing client relationships or dependent on significant audit fees, their objectivity may be compromised. Ensuring independence in both fact and appearance is critical to maintaining the credibility of audit reports.

Another decisive factor is professional competence. A technically skilled auditor who understands the client's industry can assess risks effectively, and exercise a professional judgment is essential for detecting material misstatements. Audit quality suffers when auditors lack up-to-date knowledge or practical experience. Therefore, continuous professional development and rigorous certification standards are imperative in sustaining high performance.

To empirically validate these arguments, the current study analyses 118 Romanian companies listed on the Bucharest Stock Exchange (BVB) from 2016 to 2023. Using logistic regression on data from the Audit Analytics database, the research explores how variables such as audit firm size, rotation frequency, and auditor independence correlate with measurable proxies of audit quality (e.g., modified opinions, audit duration, and post-audit adjustments). The findings aim to confirm that these factors are not theories but real-world influences on audit effectiveness.

By providing empirical evidence on the key drivers of audit quality, this research makes a significant contribution to the professional auditing field, investors, and regulatory authorities. For practitioners, the findings offer actionable insights into how audit firm size, rotation policies, independence, and professional competence directly influence audit effectiveness, enabling better strategic decisions when selecting and managing auditors. For investors, the study enhances their ability to evaluate the credibility of financial statements and identify companies with stronger governance and transparency practices. In an increasingly complex and volatile economic environment, this research underscores the critical role of high-quality audits as a foundation for trust, transparency, and sustainable financial stability.

1. Review of the scientific literature

In the modern financial ecosystem, the reliability of audited financial statements is critical for the confidence of investors, regulators, and the broader public. The quality of financial audits significantly impacts the trustworthiness of these statements and, by extension, the stability of financial markets. This essay synthesises the key internal and external factors that influence audit quality, as explored in contemporary academic literature, and argues for the strategic importance of high-quality auditing in fostering transparency, ethical governance, and effective financial decision-making.
Internal factors are controllable elements within the audit firm that shape audit quality—primarily human capital, internal processes, and ethical culture.
One of the most decisive internal factors is auditor competence and experience. Studies consistently demonstrate that the technical expertise and accumulated industry-specific knowledge of auditors improve their capacity to identify and report financial misstatements. For instance, Jie Wang et al. (2025) show that experienced auditors are more effective in curbing corruption, especially in highly transparent or state-owned entities. Furthermore, auditors with industry specialisation often command higher fees, reflecting their superior quality and ability to tailor procedures to sector-specific risks, as evidenced by Fuentes & Sierra (2015) and Alharasis et al. (2022).
Equally important is auditor independence - the ability to maintain objectivity and avoid influence from clients. Research by Tepalagul and Lin (2014) and Mostafa & Habib (2013) highlights that long-term relationships, economic dependency, and the provision of non-audit services can threaten independence. These pressures may result in biased opinions or oversight of critical errors. Thus, measures such as mandatory firm rotation, audit committees, and ethical codes are essential to preserving auditor impartiality.
Beyond internal dynamics, external forces also shape audit quality. Chief among them are regulatory frameworks and technological advances.
Audit regulations, especially those aligned with international standards such as IFRS, play a foundational role. Aobdia (2019) points out that regulatory inspections uncover quality gaps, suggesting a need for closer alignment between external oversight and internal audit evaluations. Sutiono and Herusetya (2018) emphasise that high-quality audits are essential for meaningful IFRS implementation, reinforcing the necessity of robust regulatory engagement.
In parallel, technological advancements are redefining both the audit process and the risk landscape of client firms. Liu and Xia (2024) explain how industrial complexity—driven by AI, ERP systems, and Big Data—requires auditors to adapt their techniques. Audit quality improves when firms embrace digital tools for data analysis, process automation, and cybersecurity evaluation. This evolution not only enhances efficiency but also supports auditors in managing increasingly sophisticated financial systems.
Audit fees serve as both a driver and a signal of audit quality. On one hand, higher fees often allow for more comprehensive audit work, including detailed system testing and risk analysis. On the other hand, as Matozza et al. (2020) warn, elevated fees in high-risk environments may reflect protective strategies by auditors rather than deeper investigative efforts. Moreover, underpriced audits may lead to superficial evaluations, undermining audit integrity in the pursuit of cost competitiveness. Thus, audit pricing must strike a balance between economic sustainability and rigorous audit procedures.

Auditor rotation, whether voluntary or mandatory, is widely recognised as a mechanism to preserve auditor independence and enhance audit quality. New auditors typically approach engagements with heightened caution and objectivity, leading to more conservative and thorough assessments. Kim et al. (2015) confirm that mandatory audit firm rotation leads to improved audit outcomes, especially for vulnerable firms. However, rotation can also introduce disruptions, inconsistencies in opinion, and potential knowledge gaps. Therefore, while rotation is beneficial, its implementation must be strategic and well-regulated.

Another debated determinant is the type of auditor, particularly the distinction between Big 4 and non-Big 4 audit firms. Eshleman et al. (2014) provide evidence that Big 4 auditors deliver superior audit quality, as measured by fewer financial restatements. These firms benefit from greater resources, international standards, and extensive experience. However, Lawrence et al. (2010) argue that when controlling for client size and complexity, the differences between Big 4 and non-Big 4 outcomes become statistically insignificant. This suggests that audit quality is not solely a function of firm size, but also of client attributes and contextual variables.

The recent integration of Key Audit Matters (KAMs) in audit reports represents a major advance in audit transparency. According to ISA 701, KAMs provide insights into the most significant areas of auditor attention, offering stakeholders a window into professional judgment and risk evaluation. Carson, Fargher and Zhang (2021) find that KAMs enhance investor understanding and decision-making by highlighting critical estimates and disclosures.

However, KAM disclosures are not without limitations. Overly technical or lengthy reports may overwhelm non-expert users, and inconsistent KAM reporting can hinder comparability between firms. Hay and Knechel (2017) warn that standardised disclosures, while informative, may reduce perceived value or even damage the reputation of companies by signalling elevated risk.

Similarly, the going concern assessment, guided by ISA 570, is vital in alerting users to financial distress. While these opinions often serve as accurate early warnings (Carson et al., 2013), they are also prone to false positives and negatives. External pressures—such as legal risk or auditor reputation—may unduly influence these judgments, calling for more robust standards to protect audit objectivity.

2. Research methodology

To rigorously explore the complex factors influencing audit quality, this study adopts a systematic literature review as its core research methodology. This approach allows for a comprehensive synthesis of both internal and external factors. The analysis covers peer-reviewed studies published from 2010 to 2025, sourced from databases such as Web of Science and Audit Analytics. Studies were selected based on their direct relevance to the research objectives, using inclusion criteria such as: focus on audit quality factors; coverage of regulatory, technological, or governance-related factors; and empirical or theoretical contribution to understanding causal relationships.

By categorising factors into internal elements (such as auditor competence, independence, and firm culture) and external forces (including regulations, market structures, and technology), the methodology ensures a nuanced and organised analysis that reflects the multifaceted nature of audit quality. This classification reflects the dual nature of audit quality determinants - linking organizational-level practices to broader institutional and market influences.

While some might contend that relying on secondary data limits empirical validation, this qualitative synthesis provides critical insights into underlying mechanisms, ethical considerations, and regulatory impacts that quantitative data alone cannot fully capture. Moreover, the literature review methodology supports theory development and guides future empirical work by highlighting key research gaps and practical challenges.

In sum, the chosen methodology offers a balanced, in-depth, and up-to-date foundation to understand how auditor skills, independence, fees, rotation, technological adoption, and regulatory frameworks collectively shape audit quality. This comprehensive approach is vital for informing policymakers, practitioners, and scholars aiming to strengthen audit standards and market trust.

The perception of audit quality in Romania is shaped by both cultural and institutional elements. Culturally, a tendency toward administrative formalism and a relatively low level of trust in institutions often lead to auditors being viewed more as document checkers rather than independent professionals ensuring financial transparency. Long-term relationships between companies and auditors may also raise concerns about independence.

From an institutional perspective, institutions such as CAFR and ASPAAS play an essential role in regulation and public oversight. However, the effectiveness of these institutions depends on the consistency and transparency of how standards are applied. The market is dominated by the Big Four, generally associated with higher audit quality, while smaller firms may be perceived as having limited resources. Although EU integration and the adoption of IFRS have raised professional standards, uneven implementation still sustains the perception of unequal audit quality. Pacuraru, Cimpan and Borlea (2023) analyse stable variables that influence audit quality, relating it to factors such as economic development, general education, and financial education. The authors use a theoretical perspective and international empirical data to highlight the importance of macroeconomic and cultural structural factors in the perception of audit quality.

In conclusion, the interplay between local culture and institutional effectiveness strongly influences how auditors and their work are perceived in Romania.

3. Results and discussions

This study employs a robust empirical foundation by utilising data from Audit Analytics, a globally recognised platform known for its detailed, accurate, and up-to-date information on financial audits, regulatory compliance, and corporate governance. The platform’s structured datasets—sourced from official filings by publicly listed companies—enable a high level of granularity in assessing audit market behaviour.

Focusing on the period 2016–2023, the research analyses a sample of 118 Romanian companies listed on the Bucharest Stock Exchange—58% from the main market and 42% from the secondary market. The selection criteria prioritised data relevance and

availability, ensuring a solid basis for evaluating audit firm behaviour, quality of audit opinions, and regulatory compliance under both national and international frameworks.
The study leverages Audit Analytics to investigate audit quality trends, particularly contrasting the performance and conduct of Big Four firms (PwC, Deloitte, EY, KPMG) versus non-Big Four firms. It also explores how evolving regulations during the period influenced audit practices and market dynamics in Romania. The research framework is supported by a clear set of indicators (outlined in Table 1) that guide both quantitative and qualitative analysis.

Table no. 1. Indicator description

Indicator	**Code**	**Description**
Audit Opinion	Op	1 – Modified opinion 0 – Unmodified opinion
Auditor Type	N	1 – Big Four auditor 0 – Non-Big Four auditor
Auditor Rotation	R	1 – Same auditor as in the previous year 0 – New auditor
Regulated Market	P	1– Main market 0 – Secondary market

Source: own processing

The analysis of 118 Romanian companies listed on the Bucharest Stock Exchange and audited between 2016and 2023 reveals a notable diversity in audit opinions, reflecting the full range recognised under the International Standards on Auditing (ISA)—including unmodified (unqualified), qualified, adverse, and disclaimer of opinion.
This variety underscores both the complexity of the Romanian corporate landscape and the heterogeneous levels of compliance with the applicable financial reporting frameworks, whether IFRS or national accounting standards.
As illustrated in Figure no. 1, the annual distribution of audit opinions shows a clear predominance of unmodified opinions throughout the period. This consistent trend suggests that, in general, listed entities have maintained a high degree of compliance with accounting regulations.

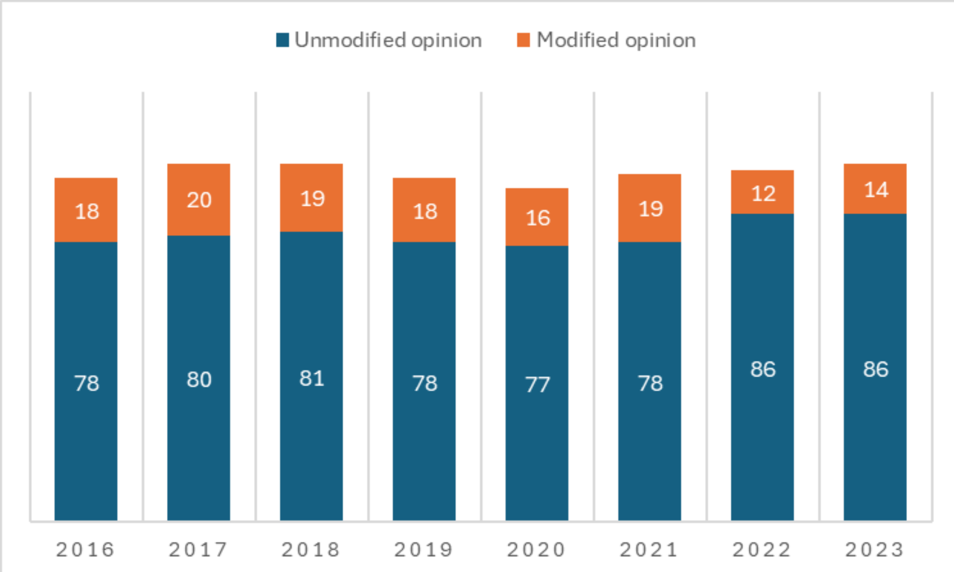

Figure no. 1: Distribution of Audit Opinions During the Analysed Period
Source: Own processing based on Audit Analytics data

Among the modified audit opinions issued for Romanian listed companies between 2016 and 2023, the vast majority (83%) were qualified opinions, followed by 10% adverse and 7% disclaimers. This suggests that most identified issues, while significant, did not entirely undermine the reliability of financial statements.

Importantly, 83% of these modified opinions were issued by non-Big 4 auditors, while only 17% came from Big 4 (Deloitte, PwC, EY, KPMG). This disparity reflects fundamental differences in client profiles and audit approaches. Big 4 auditors typically serve large, well-regulated companies with stronger internal controls, reducing the need for modified opinions. In contrast, non-Big 4 auditors more often work with smaller firms that face greater financial and reporting challenges, resulting in a higher frequency of such opinions.

From an investor perspective, a modified opinion from a non-Big 4 auditor may raise more concerns about financial reliability. In contrast, companies audited by Big 4 firms are generally viewed as lower risk, even when audit opinions are qualified.

Companies audited by Big Four firms are generally associated with higher reporting quality and fewer modified opinions, reinforcing the strategic importance of auditor selection for investor confidence and regulatory trust.

A central element in assessing the quality of financial audits is the nature of the audit firm conducting the engagement, as the auditor's resources, expertise, and reputation can significantly influence the rigour and depth of the audit process. In the academic literature, a commonly used distinction is between audit firms within the Big Four network (PricewaterhouseCoopers – PwC, Ernst & Young – EY, KPMG, and Deloitte) and non-Big Four auditors, a category that includes all other firms regardless of their size or specialisation. This classification reflects not only market position and professional capacity but also the perception of investors and external users regarding the credibility and objectivity of the issued reports.

Within the analyzed sample, composed of 118 Romanian companies listed on the Bucharest Stock Exchange during the period 2016–2023, it was found that 65% of entities were audited by non-Big Four firms, while only 35% contracted audit services from Big Four firms. This distribution is visually presented in Figure no. 2, which provides a clear overview of each category's presence in the Romanian audit market within the analysed context.

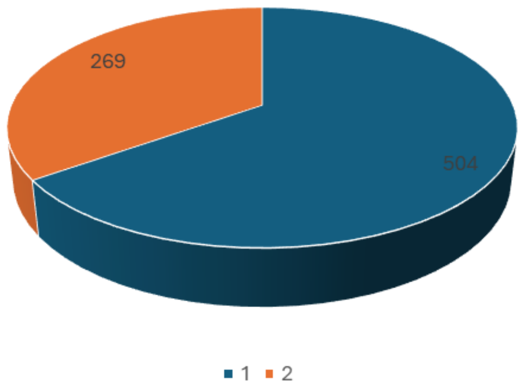

Figure no 2. Type of Auditor

Source: Own processing based on Audit Analytics data

Over the eight-year period analysed, the distribution between Big Four and non-Big Four auditors remained relatively stable, though a gradual increase in the presence of non-Big Four firms was observed. This shift suggests a growing diversification in the audit market, likely driven by lower fees, greater accessibility, and customised services offered by smaller audit firms—factors particularly appealing to small and medium-sized enterprises (SMEs). This duality supports findings by Pacuraru, Cimpan and Borlea (2023), who highlight that auditor reputation and resource availability drive distinct audit quality expectations across segments.

The Romanian audit market shows a polarised structure, with Big Four firms preferred for high-stakes audits and non-Big Four firms playing a critical role in SME transparency. Auditor rotation is widely recognized as a key factor in enhancing audit quality, promoting objectivity, independence, and reducing the risk of excessive familiarity between auditors and management. It involves periodically changing either the audit firm or the engagement partner to ensure fresh perspectives and greater professional scepticism.

The analysis of Romanian companies listed on the Bucharest Stock Exchange (2016–2023), as shown in Figure 3, tracks auditor rotation trends by distinguishing between retained auditors and instances of change. This data offers insight into corporate behaviour regarding audit continuity and reveals the extent to which rotation policies are adopted in practice within the Romanian audit market.

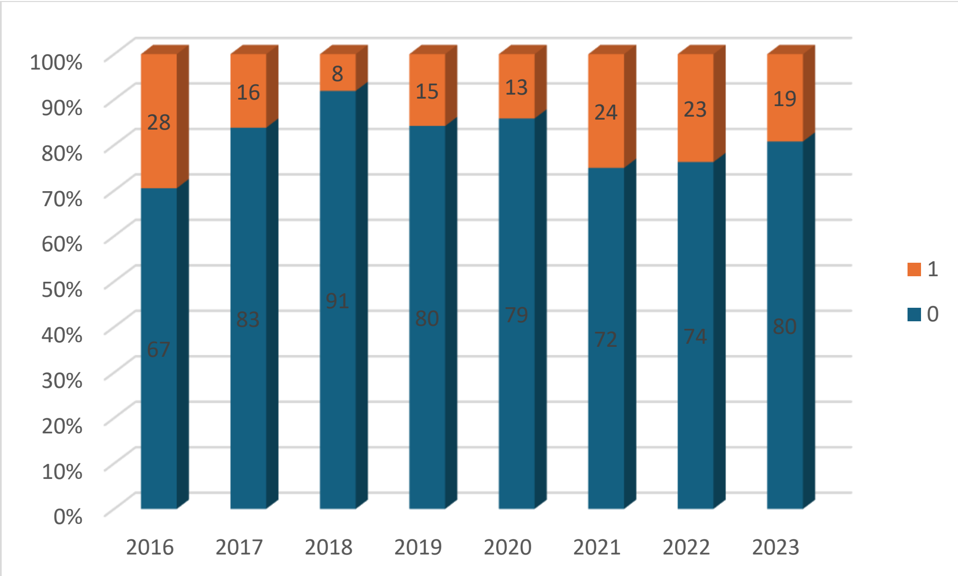

Figure no. 3. Auditor Rotation
Source: Own processing based on Audit Analytics data

Throughout the period analysed, Romanian companies listed on the Bucharest Stock Exchange predominantly retained the same auditor, with an average continuity rate of around 81%. This indicates that most firms value stable, long-term auditor relationships, likely due to trust, efficient collaboration, and deep knowledge of their business.
However, auditor rotation occurred in about 19% of cases, showing it remains a relevant but less frequent practice. Notable fluctuations include:

- **2016:** Highest rotation rate, possibly due to new regulations or governance changes.
- **2018:** Lowest rotations, suggesting stability and satisfaction.
- **2021-2022:** Increased rotations, likely reflecting EU mandatory rotation rules and governance emphasis.
- **2023:** Moderate rotation, with most companies maintaining auditor continuity.

While long auditor tenure benefits efficiency and reduces costs, it risks auditor independence. EU regulations limit audit firm tenure for public-interest entities to 10 years, with partner rotation after 7 years to prevent over-familiarity. Therefore, continuity dominates, but regulatory deadlines will likely increase rotations in the future, impacting audit quality and financial reporting confidence. Monitoring these effects is essential.
Regulatory-driven auditor rotation strengthens independence but requires balancing audit continuity with objectivity to maintain market trust.

Figure 4, which illustrates the evolution of audit fees during the period 2016–2023, highlights a clear upward trend in the costs associated with audit services, suggesting an intensification of the workload imposed on auditors, as well as a possible increase in the complexity of the audit process itself. At the same time, this rise in fees raises legitimate questions about the relationship between the cost of the audit and the actual value added. Although a more expensive audit may imply a deeper and more rigorous analysis, there is no automatic guarantee that a higher fee directly translates into an increase in the quality of the audit opinion or the level of protection offered to investors.

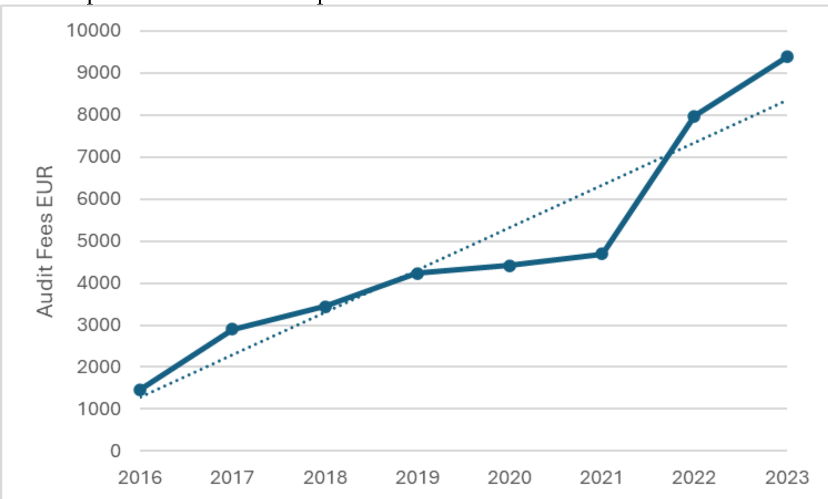

Figure no 4. Evolution of Audit Fees During the Analysed Period
Source: Own processing based on Audit Analytics data

Between 2016 and 2023, audit fees showed a clear upward trend with notable variations in growth rates reflecting broader economic, legislative, and operational complexities. From 2016 to 2019, fees steadily increased from around 1,800 EUR to over 4,500 EUR, driven by stable demand and predictable market conditions. However, during 2020–2021, growth slowed due to COVID-19 uncertainties and budget cuts, leading audit firms to keep fees conservative.

A sharp rise occurred in 2022–2023, with fees nearly doubling from about 5,100 EUR to 9,400 EUR. This surge reflects increased cost pressures, stricter regulations, inflation, staffing shortages, and significant investments in digital audit technologies. Legislative changes at national and EU levels also added complexity, requiring more resources from audit firms.

Rising audit fees signal greater audit complexity, but regulators and investors must ensure that cost escalation translates into enhanced audit quality.

Figure 5 illustrates the evolution of the total number of Key Audit Matters (KAMs) mentioned in auditor opinions during the analysed period.

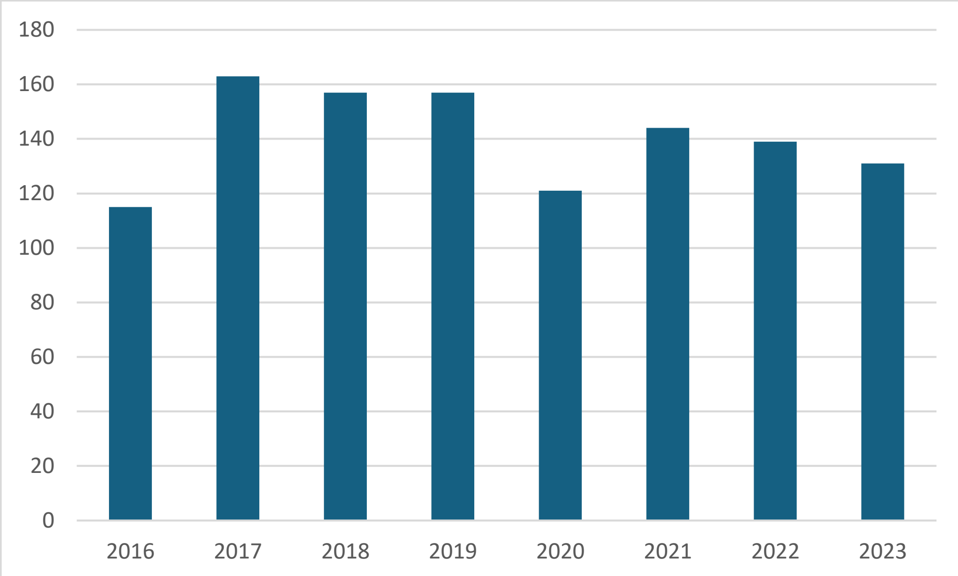

Figure no. 5. Evolution of KAMs in Auditor Reports
Source: Own processing based on Audit Analytics data

The number of Key Audit Matters (KAMs) in audit reports signals audit complexity and auditor transparency. In 2016, about 120 KAMs were reported, reflecting early adoption of the ISA 701 standard. This number rose sharply to around 160 from 2017 to 2019, coinciding with greater audit rigour, increased transparency, and a challenging economic environment.

Surprisingly, KAMs dropped in 2020 to levels like 2016, despite the COVID-19 crisis increasing audit complexity. This decline may reflect auditors' growing experience, improved risk management by companies, or a narrower interpretation of what constitutes a KAM. Between 2021 and 2023, KAMs remained stable but slightly declined, suggesting more standardized reporting or a cautious approach to disclosing sensitive issues. Market maturity and better risk control likely contributed to fewer critical uncertainties.

This trend raises important questions: fewer KAMs don't necessarily mean fewer risks, but may indicate selective reporting. It's essential to ensure this selectivity stems from sound professional judgment, not a reluctance to expose sensitive matters.

While KAMs enhance transparency, the declining trend highlights a need for consistent disclosure practices to ensure stakeholders remain informed about critical risks.

Figure no. 6 shows the evolution of the number of mentions related to the "Going Concern" principle in auditors' reports between 2016 and 2023. This mention is crucial because it indicates whether auditors have significant doubts about an entity's ability to continue operating in the near future (usually for the next 12 months).

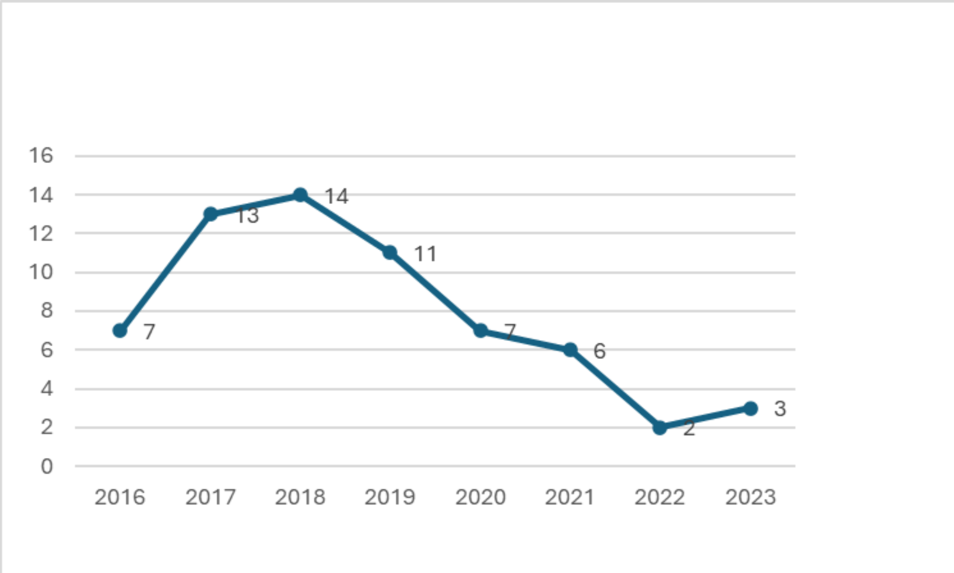

Figure no. 6. Evolution of Going Concern in Auditors' Reports
Source: Own processing based on Audit Analytics data

The analysis of "Going Concern" mentions in audit reports from 2016 to 2023 reveals shifting perceptions of financial risk and economic stability. Mentions rose sharply from 7 in 2016 to a peak of 14 in 2018, reflecting heightened economic uncertainty, financial difficulties for companies, and increased auditor vigilance amid global instability and regulatory changes.

From 2019 onward, these mentions declined steadily, reaching just 2 in 2022, before a slight rise to 3 in 2023. This drop likely reflects improved company resilience through better risk management, operational restructuring, and government support during the COVID-19 pandemic. However, the decline also raises concerns about whether auditors became less cautious—possibly influenced by optimism about economic recovery or changes in auditing standards—potentially reducing transparency about fundamental business risks.

When compared with the relatively stable volume of Key Audit Matters (KAMs) over the same period, a paradox emerges: auditors consistently report significant risks via KAMs but significantly reduce "Going Concern" warnings. This suggests either an unlikely dramatic improvement in business continuity or a shift in reporting practices that may understate existential threats.

In summary, while auditors maintain transparency about major risks through KAMs, their growing reluctance to signal "Going Concern" issues highlights a tension between informing users and protecting company reputations. In volatile economic times, sustaining trust requires not only technical compliance but also professional integrity and the courage to disclose all critical risks.

A preliminary quantitative analysis using descriptive statistics was conducted to summarise key characteristics and distribution of the variables in the sample. Table no. 2 shows the average, standard deviation, minimum, and maximum values for each variable, providing a clear snapshot of the data. This summary helps identify overall trends, detect anomalies, and lays the groundwork for deeper empirical analysis by revealing potential relationships and patterns within the dataset.

Table no. 2. Descriptive Statistics

Variabile	Avg.	Std. Dev.	Min.	Max.
N	0,3472	0,4764	0	1
R	0,1891	0,3919	0	1
Op	0,1762	0,3812	0	1
P	0,7642	0,4247	0	1

Source: Own processing based on Audit Analytics data

The descriptive statistics show that only 34.72% of entities are audited by Big 4 firms, with the majority (65.28%) relying on local auditors, reflecting significant variation across entities. Auditor rotation is relatively rare, occurring in just 18.91% of cases, indicating strong stability in audit relationships. Modified audit opinions are also infrequent, at 17.62%, a figure close to the rotation rate, hinting at a possible connection between auditor changes and such opinions. Additionally, Big 4 auditors dominate the primary market, while local auditors are more prevalent in the secondary market, highlighting a clear segmentation based on entity size and visibility.

Table no. 3 presents the correlations between the studied indicators.

Table no 3. Correlation Matrix

	N	R	Op	P
N	1			
R	-0.0603	1		
Op	-0.1801	0.1587	1	
P	0.2127	0.0578	-0.0476	1

Source: Own processing based on Audit Analytics data

The correlation matrix analysis reveals meaningful relationships among key audit variables: auditor type, market type, audit opinion, and auditor rotation. Notably, Big 4 auditors are strongly associated with companies listed on the primary market, reflecting these firms preference for auditors with international credibility and compliance expertise.

A significant insight is the positive correlation between Big 4 presence and the issuance of unmodified audit opinions. This may result from better governance in larger companies or the Big 4's more rigorous audit approach. Ruban and Hațegan (2022) reporting a correlation of 0.371 between auditor size and unmodified opinions, suggesting Big 4 firms enhance audit quality and transparency.

Occasional switches from Big 4 to non-Big 4 auditors suggest cost concerns or independence issues may drive such decisions, though such cases are rare. Overall, the analysis highlights the strategic nature of auditor selection and its impact on audit quality and market confidence.

Conclusions

This study highlights the key factors influencing audit quality in Romanian listed companies between 2016 and 2023, emphasising the interconnected roles of auditor size, opinion type, rotation frequency, audit fees, and regulatory developments. The findings confirm that Big 4 audit firms are more likely to issue unmodified opinions, reflecting stronger compliance and more robust internal controls among their clients. In contrast, non-Big 4 firms are more active in smaller markets and more frequently issue modified opinions, suggesting greater exposure to financial reporting irregularities or heightened scrutiny.

Auditor rotation remains relatively rare, with most companies maintaining long-term audit relationships—though regulatory requirements, particularly EU Regulation No. 537/2014, are expected to gradually increase rotation rates. Audit fees have consistently risen over the years, raising questions about whether higher costs correlate with better audit quality. While larger fees may provide more resources and expertise, they do not inherently guarantee more reliable outcomes.

This research contributes to the audit quality literature by providing empirical evidence from an emerging market, highlighting how auditor size, regulatory frameworks, and market segmentation influence audit outcomes. The findings support existing theories on auditor reputation and agency problems, suggesting that Big Four auditors act as quality signalers, enhancing investor confidence and market transparency.

For companies, the study emphasises the importance of aligning auditor selection with strategic objectives. Large, highly regulated firms may benefit from the credibility and international expertise of Big Four auditors, while smaller entities could leverage the flexibility and cost-efficiency of non-Big Four firms.

For auditors, the results highlight the need to maintain professional independence, manage resource allocation efficiently, and adapt to evolving regulatory requirements. For regulators and policymakers, the findings provide insights into the effectiveness of EU-driven reforms on auditor rotation, independence, and transparency, suggesting that continued monitoring and enforcement are essential to strengthen financial reporting integrity.

Despite its contributions, the study has several limitations. First, it relies exclusively on secondary data from Audit Analytics, which may restrict the depth of insights into auditor-client dynamics. Second, the focus on the Romanian market limits the generalizability of findings to other jurisdictions. Third, the study covers a relatively short timeframe (2016–2023), which may not fully capture the long-term effects of regulatory changes.

Future research should broaden both the scope and methodology by incorporating additional variables, cross-country comparisons, qualitative insights from auditors, and managers to better understand the decision making process as well the examing of the impact of digital transformation and AI audit tools on audit quality and efficiency. These steps will offer a more comprehensive understanding of how audit practices evolve and how they can better support transparency, investor confidence, and financial stability in an increasingly complex global environment.

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