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The dynamics of audit market and financial reporting under International Financial Reporting Standards: the case of Romanian listed companies

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Abstract

Research question: The purpose of this article is to analyze the dynamics of audit market related to the audit services and financial reporting in accordance with International Financial Reporting Standards. **Motivation:** Although there is a solid foundation of rules and principles, the practical controversy over the rule of law, the features of the financial market, the characteristics of the accounting regulation process and the ability to adapt the environment seem to be endless. A credibility benchmark is made by the auditor's opinion that increases the reliability of financial statements, thus providing investors with assurance about the entity's independence. In this context, a strong maturation of Romanian market seems to improve the institutional context under IFRS adoption and an increased number of companies audited by Big 4 reveals a solid audit market. **Idea:** The main purpose of the research is to investigate the actual circumstances regarding International Financial Reporting Standards and the changes on audit market regulated by International Standard on Auditing (IAS), regarding Romanian listed companies. The in-depth knowledge of these elements makes it possible to highlight the existing achievements, thus marking a bond between IFRS and IAS, as two congruent standards. **Data:** In the present survey, a sample of 20 companies listed on the Bucharest Stock Exchange, Premium Shares, during 2016-2018 has been analyzed. **Tools:** The study implies a quantitative model based on Whitney test for verifying the association between the type of auditor and the audit opinion in the context of IFRS. **Findings:** The result indicates that the majority of firms is audited by Big 4 and a change of audit firm is not directly associated to the change of audit opinion after the adoption of IFRS became mandatory. In the same time, the present survey shows a continuous improvement of the audit market under IFRS adoption.

Keywords: IFRS, audit market, reporting, Big 4, audit opinion

JEL codes: M42

1. Introduction

This article investigates how the audit market for listed companies evolved in recent years in an institutional context characterized traditionally by a low presence of Big 4 and a low relevance of the audit opinion. In 2010, the European Commission manifested multiple concerns about the European Union market in the Green Paper (policy options for progress towards a European contract law for consumers and business): "Such a concentration may involve a risk accumulation and a collapse for the whole system of firms that can lead to the destruction of the entire audit market." These concerns are rooted in a theoretical premise that highlights this excessive concentration, which corresponds to the effects of domination and the total lack of competition with implications for quality and audit costs. For a better understanding of this topical issue, McInnis and Mergenthaler (2012) and Wieczynsca (2013) have explained the Big 4 oligopoly through the complexity of global accounting standards that increases the entry barriers of Non-Big 4 firms to the global market. Then, the introduction of IFRS rules at EU level has changed the corporate accounting, generating an increase in complexity and uncertainty in the preparation of financial statements. Moreover, Pong (2003) examines the changes in the US market structure with regard to audit services targeting the gradual shift of companies from Big 8 to Big 6. The same increase in market share was also observed by other researchers in the field, Beattie and Fearnley (1994) at the Big 4 companies.

Auditing was defined as “politically neutral technique of verifying the accounts” (Klarskov, 1998), “guardians of trust”, a static activity to control the image of a company (Richard, 2006) or watchdogs (Reckers *et al.*, 2007). Globalization is characterized by big number of multinationals, the commerce between foreign countries and the adherence of human beings to global organizations (Nobes & Parker, 2008). In the same vein, big auditing companies are correlated with the auditing internalization developed in Anglo-Saxon countries. Additionally, Big 4 evolution is associated with auditing and consulting services (Zeff, 2003a) and the objectives from ethical to commercial changed in time (Klarskov, 1998).

The first researches in the field have been made by DeAngelo (1981) and Fung *et al.* (2009) who debated the financial audit market and highlighted the impact of the Big 4 globally. They provide a high quality of evidence through: human, financial and software resources, experience, solid knowledge, quality control procedures, and their credibility. Therefore, in the financial audit market an oligopoly was created, which led to the impossibility of other companies to access important customers. At

European Union level, the rotation of firms auditing was encouraged because most financial institutions are audited by Big 4 (Fung *et al*., 2009).

Regarding the audit market, the first researcher was Simunic (1980), who analyzed the size of audit spending in the United States, studying whether Big 4 companies at that time, they are closed or merged, they get to Big 4 record much higher audit costs than other companies. The research was continued by Francis and Simon (1987) who observed a supplement in the share of audit costs. In the period 1978-198 Pamrose (1985) and Simon (1987) reached the following results: 36 companies out of a total of 173 companies were not audited by Big 8. The companies with a percentage of 79 points audited by Big 8 testify about the existing competition in the free audit market and the high level of spending on Big 4 audit services.

In the UK, Taffler and Ramalinggam (1982) analyze the period 1978-1980, and the results show that 38% of companies are not audited by Big 4. In Germany, between 2005 and 2007, Hoelbacher (2009), Koehler *et al*. (2010) and Sattler (2011) analyze the 2005-2007 period, and Big 4 accounts for 93% of the total volume of firms. In Australia, Hay and Jeter (2008) and Ferguspm *et al.* (2014) marks a 90% mark for Big 4 audited firms in 2007. In Mexico, the Toscano and Garcia-Benau (2014) authors for the 2000-2007 period account for 97% for the four companies in Big 4. However, analyzing the audit reports, there was an increase in the market share of Big 4 companies from 40.51% to 42.68% over the period 2011-2013. The year 2012 was the first year in which reporting under IFRS was mandatory. In the period 2011-2012, there was an increase of the market share by 2.36 percentage points, and in 2013 there was an increase of about 3 percentage points (Paunescu, 2015).

The objective of this study is to analyze the dynamics of audit market and financial reporting under International Financial Reporting Standards. In this respect, we have analyzed all the audit opinions of the companies listed on the Bucharest Stock Exchange, type of shares: Premium. Our hypothesis is that the auditor's change does not change the audit opinion and that Big 4 has a considerable meaning on the audit market in Romania. The structure of the paper includes the Literature review, the research methodology and general conclusions of the study.

2. Literature review

2.1 An overview

As some researchers show in literature (Booklay & O'Leary, 2011), even if audit standards (ISA) and financial reporting standards (IFRS) differ substantially, they are closely related, forming a whole. In this context, the auditor’s opinion will provide a higher level of concordance through financial information in the financial reporting under the IFRS adoption. To identify studies in the literature, we have selected the following keywords: adoption of IFRS, audit market, reporting and audit opinion. These keywords have been used in specialized journals such as: American Accounting Association, Elsevier, The International Journal of Accounting, Journal and Accounting Information Systems, Taylor and Francis. The application of IFRS leads to an understandable institutional context and it has an important impact in the enforcement system (Sucher & Jindrichovska, 2004).

The usefulness of financial information increases the confidence of stakeholders concerning financial statements (Hayes *et al.*, 2015). The degree of stakeholders' expectations will remain high even if there is an insignificant gap between the reality and the figures reported (Berheci, 2010). There are two substantial elements that can influence this discrepancy like: (1) the consequences of accounting frameworks could increase the quality of accounting information (Barth *et al.*, 2008) and (2) faithful representation which is described in the financial statements represents the intervention of audit companies (Hayes *et al.*, 2015). Through the audit report, financial auditors have the responsibility to assure the quality of financial statements, under significant aspects, under IFRS framework.

The high degree of competition and the introduction of new information technologies lead to internalization and globalization (Burns & Baldvinsdottir, 2005). Creating the accounting profession is the result of closure for assuring the protection from different professional groups (Velayutham & Rahman, 2000). The evolution of accountants was influenced by the globalization of economies and the frequent changes in the business environment (Elliot & Jacobson, 2002). More, following the stereotype, accounting is "the language of the business" (Jeacle, 2008). The advent of IFRS maximized the harmonization of accounting regulations and stimulated the accountants to embed different national and international cultures (Ball *et al.*, 2003). With the growth of globalization, convergence with IFRS has become an increasingly necessary and used option. Starting with 2005, EC Regulation no. No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards which are only applicable to listed companies in the preparation of consolidated accounts has been put into effect with a view to increasing the transparency of financial reporting. Currently, these norms are accepted in 175 countries and their number continues to grow (IASB, 2018).

Global reporting has undergone considerable changes in the last decade of time. A major change was brought by the adoption of International Financial Reporting Standards. IFRSs are the main standards issued by the IASB to develop the quality of accounting principles (Chen & Zhang, 2010) and to standardize them globally to enhance the quality of financial reporting (Tyrrall *et al.*, 2007), risk reduction and capital cost (Leuz & Verrecchia, 2000), facilitates financial investment and amplifies the growth of the global economy (Street & Bryant, 2000; Pacter, 2001; Ball, 2006; Pickard, 2007; Chen & Zhang, 2010; Peng & Bewley, 2013).

Audit firms assess the accuracy of financial statements based on GAAP and accounting standards (Arens *et al.*, 2007). Therefore, the audit increases the credibility of the companies issuing the financial statements, which can lead to capital and investment growth (Khurana & Raman, 2004), which facilitates compliance with the financial reporting legislation in force (Li *et al.*, 2007; Rezaee, 2009). Based on the DeGeorge (2013) study we can argue that determining the size of audit spending helps us to observe the effects of adopting IFRS as these are the most measurable cash outflows of audit firms. The disclosure of standards on financial statements varies according to country policy, which hampers investors' decisions. These International Financial Reporting Standards (IFRS) respond to the current challenge of how financial statements are made. Applying IFRS as a global standard has led to the disclosure of the details and processes of professional judgment with a high impact during the presentation of the financial statements. Widyawati and Anggraita (2013) demonstrate that adopting IFRSs are inherent difficulties because the complexity of reporting needs to be complete. Therefore, the work effort is higher because it has to assess the financial statements, and the auditors need more time to complete the audit report. This latter report requires a time extension, as publication of financial statements may be postponed (Wulandari & Lastanti, 2015). Fair value is a source of risk that occurs with the adoption of IFRS and is present through the following standards: IAS 16 Property, IAS 40 Investment Property, IFRS 5 Non-recoverable Assets Held for Sale, IFRS 8 Operating Segments, IAS 36 Impairment of Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 38 Intangible Assets and IAS 39 Recognition and Measurement of Financial Instruments (Ahmed *et al.*, 2013). For example, IFRS 3 requires enterprises to recognize and measure at fair value all the purchased assets and liabilities, including intangible assets and contingent liabilities that have not been previously recorded by the acquiree (Glaum *et al.*, 2013)

Financial reporting includes all the accounting information that is audited and the efficiency of the financial reporting system (disclosure, engl.). In a jurisdiction or countries is an essential element for the development of efficient corporations, a transparent capital market and the overall development of the economy. However, the effectiveness of a financial reporting system depends to a large extent on a complex system of institutional factors (Ball *et al*, 2000). The audit report, issued at the end of the audit mission, increases the trust of the stakeholders indicating that the financial statements are in line with the reference financial reporting framework (Habib *et al.*, 2014). In 2013, Berinde and Grosanu (2013) attest that Big 4 auditors are mostly elected by local / foreign investors as well as by seniors as they give greater credibility to audited financial statements.

As regards the adoption of IFRS, it has a considerable impact on the firm's costs (Hail *et al.*, 2010). Regulators argue that IFRSs enhance the quality and comparability of global financial reporting suggesting that these audit costs can be reduced as a first result of adoption (Kim *et al.*, 2012; De George *et al*., 2013). In this respect, the adoption of IFRS increases the quality of financial reporting by reducing the number of errors encountered in the financial statements, limits managerial discretion, improves the accounting decision-making process, providing better information quality in line with current legislation (Barth *et al.,* 2008). These arguments lead voluntarily to reducing risk and audit costs (Kim *et al.*, 2012). Undoubtedly, the adoption of IFRS may lead to an increase in audit spending, taking into account the complexity of the audit, the quality of financial reporting and the legal regime in that country.

There are a number of studies investigating the adoption of IFRS, namely: in Australia (DeGeorge *et al.*, 2013), China (Chen & Zhang, 2010; Peng & Bewley, 2010), in the European Union (Kim *et al.*, 2013). Many studies on audit spending target the United States, Australia, Canada and Hong Kong while studies on emerging markets are limited. If a country benefits from "emerging market" status, it means that both active and passive funds that use the MSCI Emerging Markets as a benchmark can invest in listed companies in that country, leading to significant growth foreign investment (Musah, 2018).

The adoption of IFRSs leads to the following changes in the audit market, namely:

- Increases expenditure on audit services;
- The change of auditor and the concentration of the audit market;
- Receive the delay in issuing the audit report;
- The cost of own capital (Daske, 2006)

On the other hand, the enigmatic truth of Mark Stevens (1991) used by Zeff (2003b: 276) showed that “Beyond the issue of size, the firms must face a serious question: What, exactly, do they want to be? For generations, the Big Eight were proud of their role as audit professionals […] as the firms become more intimately involved with their clients through their consulting practices, as they think of themselves more and more as consultants who happen to do audits […]”.

In the same vein, Big 4 companies deemed that “the traditional roles of major accounting firm – participating in standard setting and developing guidance on the application of accounting standards” (Tokar, 2005: 64). Easily, we can observe that the results for the period 2016-2018 attest the reality of Big 4 to rule the figures taking into consideration that these companies rely on financial resources to increase IFRSs competences in time.

2.2 Romanian context

The structure of the audit market in Romania has evolved under the constant pressure of the political events, asking and offers of the audit services and economical ones.

During communism, the accounting profession was minimized to simple bookkeeping. Therefore, the Romania accounting adjusted taking into consideration the demands of the market. After 1989, the professional bodies appeared as The Body of Expert and Licensed Accountants of Romania (1992) and Chamber of Financial Auditors in Romania (CFAR) in 1999 at the require of the World Bank and International Monetary Fund (King *et al.*, 2001), which are nowadays IFAC (International Federation of Accountants) members. The scope of IFAC is to create standards on audit, assurance and ethics and to guide the accounting profession and being part of it implies an outward dependency like tension for continuing changes. About the relationship with foreign institutions, ICAEW (Institute of Chartered Accountants in England and Wales) and CIMA (Chartered Institute of Management Accountants) try to connect with Romania market (Albu, 2013).

The audit activity in our country is authorized by CFAR, under the total sight of the Council for the Public Oversight of Statutory Audit Activity. The principal objective and mission of (CFAR) is represented by the strong public recognition of the financial audit profession in Romania and obtaining its enhanced development by fully applying International Standards on Auditing and the Code of Ethics issued by the International Federation of Accountant. As a result, financial auditors in Romania are providing high quality services for the public interest and in the benefit of the business market and accountancy in Romania (CAFR, 2016).

In terms of market concentration, we can notice an important number of auditors and audit firms in Bucharest, which surpasses 45% of the total. This can be explained by the large number of companies with their registered office in the Romanian capital. Other important points are Brasov, Cluj, Iasi and Prahova. Thus, the companies are distributed fairly, over Romania, which are found in the main economic functions in each area.

Taking into account the evolution of Romanian accounting, this was marked by the gradual transition from the implementation of the French inspirational accounting system to the period of intensification of the internationalization process. According to OMPF no. 1938/2016, companies whose securities may be traded on a regulated market are required to present IFRS financial statements (Ionaşcu *et al.*, 2007). Generally, accounting served as an instrument for central institutions like Central Statistical Office or Ministry of Finance) without having the possibility to make decisions in a company (Schroll, 1995) and the unique goal of financial reporting was to fulfill the accounting statements.

The Evolution of Romanian Accounting from 1989 to the present:

- The period 1990-1993 is represented by the application of the Soviet-type accounting system, during which the Accounting Law no. 82/1991.

- The period 1994-1999 was marked by the implementation of the French inspirational accounting system. In this sense, the state played a role as a normalizer but also a main user of the financial information, which led to an asymmetry over the information demand and supply relative to other users.
- The period 1999-2006 shows a gradual shift towards the harmonization of the accounting system with the International Standards and the European Directives based on the following Ordinances: 94/2001, 306/2002, 1876/2003, 3055/2009, and 1802/2014. Thus, this period is marked by the harmonization of the Anglo-Saxon accounting system in line with International Financial Reporting Standards.
- The period 2006-2018 is the period of intensification of the internationalization process in which the credit institutions that precede the companies listed on BVB apply the International Financial Reporting Standards.

In Romania, the financial audit is:
- recognized all the time, as a separate partition within the accounting profession;
- an outcome of the international tendency imposed by the country's incorporation into the European Union;
- a demand of the World Bank, which is based on the growth in the credibility and attractiveness of the business environment and, thus, stimulating foreign and domestic investments (Popa *et al.*, 2014).

Auditing reflects a mechanism of control, a tool to increase constantly the credibility of the financial picture of a company. The auditing internationalization is associated with the concept of big auding firms. The major changes in audit and accounting are performed by Big 4 companies which are considered as engines of growth and internationalization (Albu *et al.*, 2011).

Also, Big 4 played a role in mimetic and normative isomorphism leading to an increased quality of IFRSs implementation (Albu *et al.*, 2010). Being experts and important actors in IFRS field, Big 4 can increase the knowledge of companies regarding the national and international context (Nurunnabi, 2017). The audit companies have the opportunity to observe the organization from outside, having a transparent picture about financial statements with all the necessary details. Furthermore, there is a correlation between financial interest of Big 4 companies and the adoption of IFRS (Chand & White, 2007).

Audit reporting is a complex activity, and the opinion approved by the auditor has an important contribution to investor decisions (Cordos & Fulop, 2013). From the above, it can easily be noticed that the business accounting reform was externally conditional, not being the main goal, the EU accession strategy. The Romanian framework was changed by IFRS adoption, regarding the accounting system. For example, at our country level, the impact of these standards, the IAS / IFRS on information quality, has not been tested at all. The reform was represented only by a set of legislative changes on accounting transactions, while ignoring the other components of the infrastructure of an efficient financial reporting system (Jannis *et al.,* 2019). Financial reporting standards are only one of the components that constitute the infrastructure of an efficient system of financial reporting (Holthausen, 2013). The benefits of financial reporting under IFRS are transparency, comparability, relevance and educational expertise (Albu *et al.*, 2020). Furthermore, in time, accountants will have the possibility to become consultants, having a strong background of IFRS (IFAC, 2004).

Bunea (2006) found that several issues appeared to implement IFRS as: insufficient financial resources, professional judgment and big difficulties concerning accounting profession. The future accountants have to grow up the level of: (1) compliance, (2) strategic and commercial and (3) people related (ICAA, 2004). In this context, the applicable accounting framework and the affiliation to an important auditors' category have a certain influence about issuing a type of audit opinion (Grosu *et al.*, 2015).

Another research revealed that the IFRS adoption decreased the number of unqualified opinion. About 2011, more than 81% presented unqualified opinion and in 2013, after the transition year, only 73% registered this type of audit opinion (Paunescu, 2015). The auditors' opinions are the principle theme of IFRS studies (Abdullah & Zhameshov, 2014; Larson & Street, 2004; Nurunnabi, 2017), taking into account the efficacy to audit various client firms.

3. Research methodology

In order to observe the relationship between Big 4 / Non-Big 4 and the type of audit opinion issued by them, a non-parametric Mann-Whitney test was applied. This Mann-Whitney U test (Wilcoxon-Wilcoxon-Mann-Whitney Test) is a nonparametric test of a null hypothesis that there is a probability that a single randomly chosen value from any sample may be less higher than a value randomly selected from another sample. The Whitney test differs from the T test because it is not required to assume all normal distributions. This test is used to see whether two independent samples were selected from the same distribution. In addition to this test developed by Mann and Whitney, there are still other tests to formulate null and alternative assumptions, but we have chosen this test because it is best suited for the type of variables chosen.

In Romania, for the period 2016-2018, we analyzed the companies listed on the Bucharest Stock Exchange, which traded Premium shares, because they are the most important actors from market share. In this regard, we observed the audit reports to see the percentage of companies audited by Big 4 and the audit report. Concerning Non-Big 4 companies, it is difficult to issue a qualified opinion for a listed company, taking into account the desire of the company's management not to lose an important client and the market's rivalry. For Premium shares traded on Bucharest Stock Exchange, current results show that the type of audit opinion is not correlated with the class of the audit company, contrary to other research studies where the unqualified opinion recorded 85 percentages points for Non-Big 4 companies.

4. Results

Analyzing the audit reports of companies listed on the Bucharest Stock Exchange, it was possible to test the hypothesis that the change of the audit firm (from Non-Big 4 to Big 4) is directly related to the change of audit opinion. This hypothesis was not validated during the analyzed period, 2016-2018. The data was collected manually, inspecting all audit opinions for all premiums of the companies listed on the Bucharest Stock Exchange In 2018, Deloitte issued two reservations with reservations and for one company it was impossible to express a opinions and just one non-Big 4 company issued a disclaimer. In 2017, Deloitte issued two reservations for the same companies as in the previous year, and two more reserved reviews for Non-Big 4. In 2016, Deloitte issued three unqualified opinions and a single Non-Big 4 company issued an opinion with reservations.

Table 1: Audit opinion by type of auditor - year 2016

			Auditor_Opinion_2016		
			Unqualified opinion	**Qualified opinion**	**Total**
Auditor type	Non Big Four	Count	4	1	5
		% within tip_auditor	80.0%	20.0%	100.0%
	Big Four	Count	16	3	19
		% within tip_auditor	84.2%	15.8%	100.0%
Total		Count	20	4	24
		% within tip_auditor	83.3%	16.7%	100.0%

In 2016, 80% of the non-Big Four auditors had unqualified opinion, and the remaining 20% of these were in reserve for the listed companies listed on the Bucharest Stock Exchange, a type of shares: Premium. Regarding the Big Four auditors, 84.2% had unqualified opinion and 15.8% reserved.

Table 2: Audit opinion by type of auditor - year 2017

			Auditor_opinion_2017		
			Unqualified opinion	**Qualified opinion**	**Total**
Auditor type	Non Big Four	Count	3	2	5
		% within tip_auditor	60.0%	40.0%	100.0%
	Big Four	Count	17	2	19

			Auditor_opinion_2017		
			Unqualified opinion	**Qualified opinion**	**Total**
		% within tip_auditor	89.5%	10.5%	100.0%
Total		Count	20	4	24
		% within tip_auditor	83.3%	16.7%	100.0%

Under the IFRS adoption, the auditor's affiliation to the Big 4 and the type of the audit opinion issued by Big 4/ non-Big 4 entities, *Table 2* emphasizes the percentage for each sort. In 2017, 60% of the Non Big Four auditors had unqualified opinion, and the remaining 40% of them with a reservation for the listed companies listed on the Bucharest Stock Exchange, type of shares: Premium. Regarding the Big Four auditors 89.5% had unqualified opinion and 10.5% had reservations.

Table 3: Audit opinion by type of auditor - year 2018

			Auditor_opinion_2018		
			Unqualified opinion	**Qualified opinion**	**Total**
Auditor type	Non Big Four	Count	4	-	4
		% within tip_auditor	100.0%	0.0%	100.0%
	Big Four	Count	16	2	18
		% within tip_auditor	88.8%	11.2%	100.0%
Total		Count	20	2	22
		% within tip_auditor	86.95%	13.05%	100.0%

In 2018, 100% of the Non Big Four auditors had unqualified opinion, for the listed companies listed on the Bucharest Stock Exchange, type of shares: Premium. Regarding the Big Four auditors, 86.95% had unqualified opinion and 13.05% qualified opinion. Furthermore, using the Hi-Square Test, it was verified whether there is a statistically significant association between the type of auditor and the audit opinion. The threshold of significance is 5%.

The information displayed in *Table 3* outlines another survey having the same topic and results, for another period of time. For the period 2008-2012, Cordos and Fulop (2013) concluded that the majority of companies on Romania market are audited by Big firms and the trend seemed to continue from a year to another one.

The same association was analyzed by Eshleman and Guo (2014) and the results attested a positive relationship between the auditor's type and the quality of the audit engagement, which leads to a high degree of credibility about audited financial statements. Jaba *et al.* (2015) argued the same outcome for Romania listed companies, depending on a certain type of auditor.

Table 4: The Mann-Whitney test for verifying the association between the type of auditor and the audit opinion in 2016

	Audit_opinion 2016
Mann-Whitney U	45.500
Wilcoxon W	235.500
Z	-0.220
Asymp. Sig. (2-tailed)	0.826
Exact Sig. [2*(1-tailed Sig.)]	0.891[b]

a. Grouping Variable: Tip_auditor
b. Not corrected for ties.

According to Table 4, the asymptotic significance associated with Mann-Whitney's statistics is 0.826 higher than 0.05, meaning that there are no significant statistical differences between the auditor's type in the audit opinion in 2016, at a significance level of 5 %.

Table 5: The Mann-Whitney test for verifying the association between the type of auditor and the audit opinion in 2017.

	Audit_opinion_2017
Mann-Whitney U	33.500
Wilcoxon W	223.500
Z	-1.540
Asymp. Sig. (2-tailed)	0.123
Exact Sig. [2*(1-tailed Sig.)]	0.331[b]

a. Grouping Variable: tip_auditor
b. Not corrected for ties.

According to Table 5, the asymptotic significance associated with the Mann-Whitney test statistic is 0.123, higher than 0.05, which implies that there are no statistically significant differences between the auditor's type in the audit opinion in 2017, at 5% level of significance.

Table 6: The Mann-Whitney test for verifying the association between the type of auditor and the audit opinion in 2018

	Audit_opinion 2018
Mann-Whitney U	45.500
Wilcoxon W	235.500
Z	-.220
Asymp. Sig. (2-tailed)	.826
Exact Sig. [2*(1-tailed Sig.)]	.891[b]

a. Grouping Variable: tip_auditor
b. Not corrected for ties.

According to Table 6, the asymptotic significance associated with the Mann-Whitney test statistic is 0.826, value that is higher than 0.05, implying that there are no statistically significant differences between the auditor's type in the audit opinion in 2018 at a materiality level 5%. In this study, it was analyzed whether companies changed their auditors had changes in the audit opinion during the period 2016-2018. Moreover, the change of the company that audited existed, but not to accede to a superior audit firm. Therefore, there was a change in the Big 4 auditing company that led to another audit opinion. Regarding Non-Big 4, there was a change in the audit firm that did not lead to another audit opinion.

On the other hand, another research by Grosu *et al*. (2015) attests that the affiliation to a certain auditor from Big 4 increases the quality of financial statements and after the IFRS adoption increases the number of qualified opinions.

Table 7: The distribution of Big 4 companies for Premium Shares traded on Bucharest Stock Exchange, the period 2016-2018

Auditor	2016		2017		2018	
	Number	Percentage	Number	Percentage	Number	Percentage
Deloitte	11	55%	9	45%	10	50%
KPMG	2	10%	2	10%	2	10%
PWC	2	10%	3	15%	3	15%
EY	4	20%	5	25%	4	20%
NonBig4	1	5%	1	5%	1	5%
Total	20	100%	20	100%	20	100%

From the data in *Table 7*, we ca notice that for BSE listed companies which trade Premium shares, only one entity is audited by non-Big 4 and the rest of the entities of the sample is audited by Big 4, for the entire period. In the same time, we analyzed for the period 2016-2018 the top of Big 4 companies. Delloite for the entire period picks up the top and KPMG audited only two companies.

We can observe that Big 4 leads the market audit, in the period 2016-2018 and the qualified opinion is the most frequently, even if they have the highest demand for auditing. Francis (2004) emphasized that the quality of audit is superior for Big 4 companies, which can be confirmed by the highest percentage of 84 points. Another study by Daniels and Booker (2010) confirms our results about the association between the rotations of a firm and the change of the audit opinion. More, they show that the rotation of external auditors don’t affect the quality of audit service.

Even if the interpretation of Big 4 is the same (Gray & Ratzinger, 2010), the majority of stakeholders prefers them than small audit companies, taking into consideration the IFRS resources which lead them to an important expertise. The graph emphasizes that most of companies prefers Big 4 and the percentage for companies audited by non-Big 4 is 5 points for the entire analyzed period, even though the fees are higher.

5. Conclusions

Audit reporting represents a complex activity and the opinion issued by audit companies constitutes a big contribution regarding the investors' decisions. IFRS transition is justified by the growth of the quality of financial statements as transparence, reliability and comparability. In these circumstances, the quality of financial information reported will affect the audit opinion issued by Big 4/ non-Big 4 companies.

The main objective of this study is to analyze the structure of the financial audit market for companies listed on the Bucharest Stock Exchange, focusing primarily on Premium shares. Between the years 2016-2018, the results show that 81.81% of companies are audited by Big 4, while about 18.19% are audited by Non-Big 4. A lower percentage of market concentration can be observed by comparing the other countries from the European Union (Soedaryono, 2015). Analyzing the audit reports of companies listed on the Bucharest Stock Exchange, it was possible to test the hypothesis that the change of the audit firm (from Non-Big 4 to Big 4) is directly related to the change of audit opinion.

The total number of clients audited by Big 4 increased with 89.96% in the analyzed period. At the same time, it could be seen that out of a total sample of 20 companies, a single Big 4 changed its audit opinion. In this sense, if the old company that audited was Big 4, the next one will be in the same class and will not be a non-Big 4 company. In our case, in 2017, EY issued an unqualified audit opinion, although in the previous year, Deloitte issued a qualified opinion. More, a change of the audit firm is not directly associated to the change of audit opinion. The quality of the audit is represented by the ability of the audit firm to find and report errors at the customer's level, to make decisions by providing expertise on the client's information system and finally to provide an opinion conveyed in the audit report (DeAngelo, 1981).

We can conclude that in emerging economies, the number of companies audited by Big 4 is less than in our country (Paunescu, 2005) and there is a positive association between the type of audit opinion and the rotation of the audit firm. Regarding Romanian market the results of the study show signs of maturation and a good functioning in line with the known of capital markets and continuous improvement of audit market.

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