

COMPARATIVE WORK ON THE EVOLUTION AND STRUCTURE OF THE FINANCIAL AUDITING MARKET IN ROMANIA AND SPAIN

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ABSTRACT: The objective of the study is making a comparative analysis on the evolution and structure of the auditing market in Spain and Romania. The hypothesis this work starts from refers to the fact that the financial auditing evolves and enhances in a country with its economical development, as an answer to the challenges of the society it serves. In our opinion the work approaches an interesting theme and also necessary in the comparative studies area. In the Romanian specialty literature we have not found any empirical work in this field – comparing and analyzing the structure of the auditing markets during their evolvement or other concrete elements concerning the financial auditing activity in Romania and other European countries. The comparison exists along the whole research. We also employed a mix research method, the qualitative and quantitative one. The numerical data were gathered from CAFR Romania and ICAC Spain electronic data basis. They were presented during their evolution as combined and compared within tables, fact that helped me to draw interesting conclusions, in accordance with objectives of the research.

Keywords: financial audit market, active auditors, inactive auditors, audited companies, evolution of the financial audit, structure of the audit financial market

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Introduction

The structure of the auditing markets in Romania and Spain evolved on a free market, under the pressure of political, economical events, auditing services demand and offer.

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In order to make this comparative work I had chosen Spain, which has similar characteristics to Romania, namely: geographical size, population, social – economical structure, peripheral position in the European Union at the date of integration.

Even if the current economical development level of the two countries is very dissimilar, Spain may represent for Romania an E.U. post-integration model. It is a European Union Member, having a longer auditing tradition than Romania.

Spain integration to the European Community back in 1986 had fundamentally influenced this country's economy. The truly spectacular change from social and economical point of view that occurred proved Spain took very well advantage of the two post-integration decades. Social and macroeconomic policies adopted by the Spanish authorities represent a good model to follow. The activity of the financial auditors in this country had a positive influence upon the economic development. The audited financial data offered an accurate image, so the users were able to make viable decisions based upon them, contributing as such to the economic and social progress.

Spain's example may be useful as to exhibit an image of Romania over 20 years from E.U. integration. It is true that Romania at its accession to the E.U. was poorer than Spain.

Spain's GDI at the end of 1985, the year before E.U. accession was 175 billion \$ and Romania's GDI at the end of 2006, the year before E.U. accession was 122 billion \$. We should not forget the moment Spain adhered E.C., the nowadays instruments of economic aid didn't exist. Spain's accession occurred at the moment the internal market of E.U. was created and when the solidarity mechanisms between the Community's countries were established.

These works were particular to the Anglo-Saxon countries (England and USA) but nowadays they spread in all Europe's countries because they allow reaching a better convergence among them. Such studies are necessary in the European countries.

Spain has a longer experience in this field. The Spanish specialty literature has such comparative works – with England, Portugal, Latin America's countries or Europe's countries in their whole. These studies were elaborated few years ago and they do not encompass the novelty elements the Directive 2006/46/CE brought, as transposed in the Spanish legislation through the Revised Text of Financial Auditing Law. As such, a

new work encompassing all the new economic conditions generated by the financial crisis was required.

As such, the Spanish specialty literature represented for me a great source of inspiration and I refer here to the empirical works elaborated by:

- M. A. García Benau (1992), “La auditoría en Europa”;
 - Maria Antonia García Benau and others (1993), ”La auditoría y sus expectativas: Los casos de España y Reino Unido”;
 - T. C. Herrador Alcaide (2002), “El informe de auditoría financiera de las cuentas anuales como conclusión y objetivo del trabajo del auditor: un estudio empírico para la Comunidad Autónoma de Madrid”;
 - A. D. Gómez-Guillamón (2001), “La auditoría de cuentas en España: un estudio empírico sobre la función, utilidad y comprensión del informe de auditoría”;
 - G. Sierra Molina, M. Orta Pérez (2005), “La experiencia y el comportamiento ético de los auditores: un estudio empírico”;
 - J. Monterrey Mayoral, A. Sánchez Segura (2007) “Un estudio empírico de los honorarios del auditor”;
 - B. J. Manchado de Almeida, C. I. Muñoz Colomina (2008), “Evidencia de las diferencias de expectativas en auditoría en mercados bursátiles de reducida dimensión: el caso Portugués”;
 - F. J. Martínez García, A. Fernández Laviada, J. Montoya del Corte (2010), “La función de auditoría en las PYMES: un estudio empírico para Iberoamerica”;
 - B. González Díaz, R. García Fernández, A. López Díaz (2011), “Estudio empírico sobre la auditoría de las fundaciones públicas estatales para el período 2001-2007”;
- and the list may continue.

This kind of works helps to the enhancement of the financial auditing theory, to discover differences and similarities, to identify some answers to the issues of this profession.

Based upon these researches we shall suggest measures and solutions to the professional institutions to improve the general level of financial audit quality, in conformity to the dynamics of the current society.

It is interesting to analyze the impact the European integration process had upon the auditors and auditing firms in different countries, but also the impact of the new economic context dominated by the world economic crisis.

Evolution of the financial auditing market in Spain

In order to better understand the current audit situation in Spain we must consider the past events, observing as such the progress. Cañibano said that “audit development is intimately related to the democratic developed countries, operating within market economy system”.

In 1986 Spain became Member of the European Union. Up to the first Audit Law in 1988 in Spain coexisted a few organizations were professional auditors were registered. After the Audit Law appeared a phenomenon which worth mentioning occurred. The professionals developing audit tasks in the years before the promulgation of this law, in order to continue their activity must register with ROAC – Auditors Official Register (Registro Oficial de los Auditores de Cuentas). In this respect they had to pass a competences test held by ICAC. Even if a serious selection process was done (the number of persons registered to receive the auditor license was about 60,000 persons) a real avalanche of persons occurred who obtained the permit to practice the audit. The number of auditors registered with ROAC in 1990 was 13,468 persons. As the data published by ICJCE (Instituto de Censores Jurados de Cuentas de España) show in the Official Guide from 1980, the number of active censors in 1970 was 900, figure that strongly oppose the one in 1990.

Audit market situation in Spain in the first years after the application of the Audit Law:

Table no. 1

The number of independent auditors and the audit firms in Spain

Auditors	Year	Active	Inactive	Total
Natural persons	1990	5847	7621	13468
	1991	5593	7875	13468
	1992	5416	8002	13418
Legal persons	1990	645	-	645
	1991	645	-	645
	1992	713	-	713

Source: “Audit situation in Spain” annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

As you may observe the number of inactive natural persons is very high from the very first year, representing more than 56% of the total, this percentage slowly increasing every year. In exchange, the number of active firms is slightly increasing.

No doubt that auditor's offer was absolutely not real and incommensurate comparing with the number of audit tasks in that period. The audit tasks situation performed during that three years is as results in Table no. 2.

Table no. 2

Situation of annually audit tasks performed in Spain

Audit tasks	1990	1991	1992
Mandatory	2212	16492	18252
Voluntary	3490	4059	4671
Others	1319	4095	6091
Total	7021	24646	29014

Source: "Audit situation in Spain" annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

If we analyze active auditors' activity within this period we have the confirmation of what we have said at the beginning, that the auditors' offer was far too high, even if from 1991 the number of mandatory auditing increased considerably.

The situation of natural and legal persons' activity was as results from the following table:

Table no. 3

Independent auditors and audit firms invoicing situation in Spain

Auditors	Year	Total of active auditors	Auditors issuing invoice		Average invoicing (millions of pesetas)
			Real figure	% of natural active persons	
Natural persons	1990	5847	1075	18,38	1,8
	1991	5593	1483	26,51	3,0
	1992	5416	1704	31,46	3,3
Legal persons	1990	645	317	49,14	66,7
	1991	645	514	79,68	65,6
	1992	713	543	76,15	70,9

Source: "Audit situation in Spain" annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

As you may observe, approximately 20 – 30 % of the total authorized natural persons, authorized to perform auditing had activity, which is very low. The percentage of the firms having activity is much

higher starting from 49% in 1990 and up to 76% in 1992. It is very clear that the audit market in Spain was controlled since the beginning by the audit firms.

This percentage of audit firms includes also the multinational companies which covered almost 70% of the total invoicing. These companies had been developing activity in Spain a few years before Audit Law no. 19/1988 entered in force, bringing them international prestige. The invoicing level of the most important 10 multinational audit companies, activating in Spain in 1990 was as follows:

Table no. 4

**The invoicing level of the most important
10 multinational audit companies in Spain in 1990**

Multinational audit companies	Total invoicing*	Invoicing due audit*
1. Arthur Andersen	15000	6000
2. Price Waterhouse	6967	2369
3. Ernst&Young	5500	3300
4. KPMG	4000	2200
5. Cooper&Lybrand	2750	1430
6. Audishispana (S&O)	2600	390
7. Deloitte&Touche	2000	1200
8. Gasso (H&H)	1620	308
9. M.S. España (MS)	723	151
10. Uniaudit (GTI)	720	315

Source: European Accounting Focus, September 1990

*In thousand pesetas

A positive thing that I believe worth mentioning is the significant growth of the number of performed audit tasks. If in 1990 were audited just a number of 7,021 companies, in 1991 their number increased to 24,646 tasks and in 1992 to 29,014 tasks. As such, you may see the incidence of adopting Audit Law in Spain and establishing the limits for the mandatory audit. The fact the number of voluntary audit tasks in these three years is of approximately 4,000 is to be noticed as a quite important figure.

The audit process in Spain consolidates with the Europeanization process evolution and with the spectacular economic growth which has occurred in this country. During 1990 – 2009 the number of audited companies increased over 10 times.

The number of the audited companies, classified in mandatory and voluntary is as results from table no. 5 .

Table no. 5

Yearly situation of the number of audited companies

Type of audit	1990	1993	1996	2000	2004	2006	2009	2010
Mandatory audit	2212	20324	22184	25781	37774	38012	49237	48501
	38,79%	78,56%	76,20%	72,02%	74,55%	74,36%	75,87%	73,83%
Voluntary audit	3490	5546	6928	10013	12889	13102	15657	17184
	61,21%	21,44%	23,80%	27,98%	25,45%	25,64%	24,13%	26,17%
Total of audited companies	5702	25870	29112	35794	50663	51114	64894	65685
	100%	100%	100%	100%	100%	100%	100%	100%

Source: “Audit situation in Spain” annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

Before Law no. 19/1988 application, auditing in Spain was voluntary. The mandatory legal limits imposing brought an additional cost for the companies. If the voluntary audit increased only 4.5 times, the mandatory audit increased almost 18 times. The higher increase occurred in 1993. It seems the companies start be aware of audit’s importance. As we already mentioned, in the first year the cheaper audit services were looked for, and some companies divided the activity to not exceed the mandatory limits. As the time passes the economic environment develops, modernizes and assimilated the new philosophy.

The companies in Spain started to export or to do businesses with important companies abroad, requesting actual, accurate economic data. As such the audit becomes increasingly important.

Even if the percentage of the voluntary audit increase does not close to the one of the mandatory audit, it represents a high percentage, deemed to be considered as it is between 20 and 30%. This fact proves the awareness related to auditor’s work importance and that the companies feel the support, the help when they have an Audit Report confirming that the information they supplied is real.

The evolution of auditors’ number for the next years as registered in ROAC was as results from table no. 6:

Table no. 6

Evolution of the number of auditors registered with ROAC

Auditors	1993	1996	2000	2004	2006	2009	2010
Active	5543	5664	5406	5286	5548	5758	5589
Inactive	8826	9683	10679	11854	13162	13858	14047
Total	14369	15347	16085	17140	18710	19616	19636

Source: "Audit situation in Spain" annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

A continuous increase of the total auditors' number is noticed. If in 1993 in ROAC were registered 14,369 auditors in 2010 their number topped 19,636. The problem is the number of active auditors remains approximately constant, between 5,500 and 5,800, increasing yearly the number on inactive ones. The number of inactive auditors increasing is truly spectacular, fact which occurs due to the following reasons:

-many companies which had the obligation to perform an audit had looked for the cheapest services, fact which determined many experts turn to better paid activities;

-in this period, the specific specialty literature state that the sanctions which were applied to the companies which didn't comply with the audit obligation were insignificantly;

-the fact that the cheapest audit services were looked for proves that the entrepreneurs didn't know the auditor's work importance and his/her responsibility, neither the added value they were bringing to the companies. Consequently they didn't look for services but complying with a legal obligation.

-under these circumstances, the existing audit companies underwent through divisions or merging, lowering the human resources working in this field.

Part of the active auditors work as independent auditor, other became partners within audit companies. The situation of the active auditors issuing invoices is as results from the following table:

Table no. 7

The situation on the number of the active auditors in Spain who have issued invoice

Active auditors	Yearly	Total active	Issuing invoices	
			No. of companies	% of the active natural persons
Natural	1993	3307	1827	55,24

persons	1996	3199	1936	60,51
	2000	3323	2205	66,35
	2004	3181	1883	59,19
	2006	2991	1733	57,94
	2009	3022	1625	53,77
	2010	2987	1600	53,56
Audit companies	1993	735	604	82,17
	1996	802	699	87,15
	2000	962	887	92,20
	2004	1151	1028	89,31
	2006	1211	1103	91,08
	2009	1317	1187	90,12
	2010	1357	1221	89,97

Source: “Audit situation in Spain” annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

In all these years, from the total auditors, natural persons had issued invoices a percentage among 50% and 60%. The audit companies are further the leaders, issuing invoices 80%-90%.

In order to better understand the size of audit market in Spain, I think it is important to know the evolution of the number of audited companies in all these years, according to the turnover.

Table no. 8

The number of audited companies on yearly basis in Spain, according to the turnover

Turnover	1990	1993	1996	2000	2004	2006	2009	2010
Up to 6 mil. €	4907	16285	1632 2	17658	2230 2	2371 2	2625 2	2890 7
6 – 12 mil. €	775	4630	5443	6991	9659	1036 7	1245 4	1181 2
12 – 30 mil. €	529	3691	4432	6489	8445	8932	1080 1	1012 2
Over 30 mil. €	560	3189	4086	4865	6982	7390	9788	9469
Without specifications	2432	4206	4856	6490	7703	7972	8566	8297
Total companies	9203	32001	3513 9	42493	5509 1	5837 3	6786 1	6860 7

Source: “Audit situation in Spain” annually published in the Official Bulletin of Accounting and Audit Institute (BOICAC)

Some conclusions may be drawn from this table:

The companies with a turnover up to 6 million Euros are considered SMEs (small and medium-sized companies/PYMES). They represent almost 40% of the total audited companies in Spain, increasing their number 5.3 times from 1990 up 2009. They are considered as targeted by the audit's mandatory character.

In the last 20 years in Spain, the number of very big companies (with a turnover above 30 million Euros) increased almost 17 times.

In order to conclude the analysis of audit market evolution in Spain it is interesting to point out the returns received by the auditors and the audit companies in all these years, as results from Table no. 9.

Table no. 9

Evolution of the returns received by the audit companies and independent auditors in Spain

Invoicing	1990	1993	1996	1999	2002	2005	2007	2009	2010
Companies	151	272	291	297537	375626	476431	587891	657111	686456
Independent auditors	196	361	396	40334	44850	50251	61690	56273	53035
Total	347	633	687	337871	420476	526682	649581	713384	739491

Source: "Situation of audit in Spain" published yearly in the Official Bulletin of the Accounting and Audit *Million Euros

Examining this table we may observe in fact the evolution of audit profession in Spain. Returns increase is significant. If in 1990 the total returns were 347 million Euros, in 2010 they increased to the fabulous amount of 739,491 million Euros. They increased over 2,000 times. This think mirrors the extraordinary economic development Spain had in all these post-integration years and at the same time the importance the auditor profession gained.

At the same time we may say the financial audit market in Spain is completely dominated by the audit companies, the independent auditors cashing an amount below 10% of the total returns. Here are also included the multinational companies which have an extraordinary importance. The companies became market's leaders in 1999, the critical year.

The audit companies are very important because an independent auditor could not audit a large company due to the time and repeating travels needed. Moreover, the large audit companies employ an important number of persons who are not auditors.

The situation of the financial audit for 2011 was not published yet in the Official Bulletin of the Accounting and Audit Institute in Spain (BOICAC). However, I obtained the Real Number of the Auditors registered with ROAC on 27th of December 2011 from ICAC site, totalizing the registered auditors on provinces. The total number of active independent auditors and audit companies is of 7,602, spread among provinces as results from table no. 10.

Table no. 10

**Distribution of active auditors, natural and legal persons,
in Spain on provinces**

No.	Province	Natural and legal persons	No.	Province	Natural and legal persons
1.	A. CORUÑA	389	26.	LEON	77
2.	ALICANTE	253	27.	LLEIDA	86
3.	ALMERIA	96	28.	LUGO	67
4.	ASTURIAS	197	29.	MADRID	1173
5.	ÁVILA	18	30.	MÁLAGA	342
6.	BAJADOZ	81	31.	MELILLA	15
7.	BARCELONA	761	32.	MURCIA	240
8.	BURGOS	76	33.	NAVARA	129
9.	CACERES	41	34.	OURENSE	35
10.	CADIZ	134	35.	PALENCIA	31
11.	CANTABRIA	108	36.	PONTEVEDRA	159
12.	CASTELLON	120	37.	SALAMANCA	55
13.	CEUTA	18	38.	SANTA CRUZ DE TENERIFE	117
14.	CIUDAD REAL	70	39.	SEGOVIA	35
15.	CORDOBA	151	40.	SEVILLA	328
16.	CUENCA	120	41.	SORIA	37
17.	GRANADA	148	42.	TARAGONA	124
18.	GUADALAJARA	35	43.	TERUEL	24
19.	GUIPUZCOA	114	44.	TOLEDO	75
20.	HUELVA	60	45.	VALENCIA	419
21.	HUESCA	58	46.	VALLADOLID	112
22.	ILLES BALEARES	194	47.	VIZCAYA	210
23.	JAEN	78	48.	ZAMORA	23
24.	LAS PALMAS	99	49.	ZARAGOZA	197
25.	LA RIOJA	73		TOTAL	7602

Source: Official Auditors Register (ROAC) published on ICAC's site, accessed on 27th December 2011

The number of active auditors as one may observe is increasing, although we pass an economic crisis period and very many companies closed their activity. Currently I have neither the number of audit companies or of the independent auditors which have issued invoices, nor the value of the invoices. However, Mr. José Antonio Gonzalo Ángulo, the President of the Accounting and Audit Institute said in an interview that due to the economic crisis many companies have vanished, with consequences for auditor profession. He showed that: “Invoicing both in case of independent auditors and audit companies decreased”.

As considering Big Four situation in Spain, the four audit companies split in exclusivity the market of companies quoting to the stock exchange (Ibex 35), Deloitte ranking in this respect on the first place, followed by PriceWaterhouse, KPMG and Ernest&Young”.

Another observation would be the great cluster of active auditors in Madrid province (1,173 auditors) and Barcelona (761 auditors). This fact is explainable because these are the provinces where the great majority of big companies have their registered office. These two provinces amount a percentage of 25% of active auditors, the other 75% are spread quite homogeneously on Spain’s territory.

Evolution of audit market in Romania

The financial audit consolidates in Romania with the reform process evolution and transformation of Romanian economy in a market economy resembling the one from the European Union countries.

During transition period, the audit practices were introduces in our country with experts’ help who wanted to correlate and adapt to the International Standards. The perspective of integration to the European Union requires the implementation of internationally harmonized audit techniques. Moreover, the continuous evolution of the Romanian economy, companies doing business on the international market, determined some complex operations, requiring expert accountants and auditors’ continual training,

Since 1993 financial audit offices have emerged in Romania, belonging to the Big Four as follows: 1993 – PriceWaterhouse, 1995 – Deloitte&Touche&Tomatsu, 1995 – KPMG, and in 1999 – Ernst&Young.

In 1999 the first regulatory document appeared in Romania, which reflected the European Directives into the Romanian legislation, namely G.E.O. (Government Emergency Ordinance) 75/1999 related to Financial

Audit activity. This ordinance sets up the Financial Auditors Body from Romania and the Financial Auditors Register. At the same time establishes the conditions to be complied with by the future financial auditors for their recording with the abovementioned register.

As such, following the professional competences examination in 2000, the first natural and legal persons are recorded with the Financial Auditors Register. They are recorded as two categories – active and inactive members, as results from Table no. 11:

Table no. 11

Evolution of financial auditors' number in Romania in 2001 – 2004

	Year	Active members	Inactive members	Total
Natural persons	2000	382	88	470
	2001	979	216	1195
	2002	1131	253	1384
	2003	1174	255	1429
	2004	1280	256	1536
Legal persons	2000	-	-	0
	2001	-	-	130
	2002	-	-	313
	2003	-	-	475
	2004	-	-	569

Source: Communication from Financial Auditors Body from Romania at my request

The evolution of auditors' number in Romania in 2000 – 2004 followed an ascendant continuous trend.

The Council of Financial Auditors Body from Romania published in its Report for 2010 the evolution of CAFR members starting with 2005 up to 2010. The situation is as follows:

Table no. 12

Evolution of financial auditors' number in Romania in 2005 – 2010

	Year	Active members	Inactive members	Total
Natural persons	2005	1277	290	1567
	2006	1465	297	1762
	2007	1927	390	2317
	2008	2203	446	2649
	2009	2706	458	3164

	2010	3134	557	3691
Legal persons	2005	-	-	623
	2006	-	-	688
	2007	-	-	805
	2008	-	-	875
	2009	-	-	814
	2010			893

Source: The information was gathered from the Report for 2010 of the Council of Financial Auditors Body in Romania

Examining the two tables we may observe that in 2000 in Romania existed a number of 470 natural persons recorded with the Financial Auditors Register of CAFR and in 2011 their numbers tops 3,991. This means an increase by 8.5 times. The most important increases took place in 2000 – 2001 and then starting with 2007.

Table no. 13

Yearly situation of the auditors, natural and legal persons recorded with CAFR Register

Year	Natural persons	Legal persons
2000	470	0
2001	725	130
2002	189	183
2003	45	162
2004	107	94
2005	31	54
2006	195	66
2007	556	114
2008	333	68
2009	568	78
2010	520	79
Total	3134	893

Source: The information was gathered from the Report for 2010 of the Council of the Financial Auditors Body in Romania and combined with the data delivered through the communication from the Financial Auditors Body in Romania at my request.

Since 2007, the year of Romania's accession to the European Union, the annual records in the Financial Auditors Register have significantly increased. In 2007 a number of 552 persons are recorded, in 2008 another 331 persons, in 2009 plus 585 and in 2010 another 516 natural persons. It is

an increment sustained by the wish of economic development, characteristic for the post-accession periods of the E.U Member countries.

The Activity report was not submitted by all natural and legal active persons and not all had incomes. The situation is as results from Table 14.

Table no. 14

**Situation of the active auditors in Romania,
invoice issuing natural and legal persons**

Active auditors	Year	Total active	Those who obtained income	
			No. of companies	% of the active natural persons
Natural persons	2005	1277	148	11,58
	2006	1465	161	10,98
	2007	1927	237	12,29
	2008	2203	236	10,71
	2009	2706	408	15,07
	2010	3134	487	15,53
Audit companies	2005	623	461	73,99
	2006	688	510	74,12
	2007	805	571	70,93
	2008	875	105	12,00
	2009	814	642	78,86
	2010	893	630	70,54

Source: The data was gathered from the Report for 2010 of the Council of the Financial Auditors Body in Romania

In case of natural persons only 10 – 15% has issued invoice, very low, and in case of legal persons the situation is better, the percentage is over 70%. Among these companies are also the multinational, having a very important influence.

The low percentage of the persons issuing invoice may be due to the low number of companies on the Romanian market, comparing with other E.U. countries, while the number of active auditors is like the one in the E.U. countries. Moreover, the natural persons don't have the strength to compete with the large audit companies. Even the companies obligated to perform audit prefer the big audit companies which offer their experience and name. This is showed also by the Report of activity performed during 2010 by the Supervision and Professional Competence Department published by the Financial Auditors Body in Romania, stating the level of average fees for 2009 and 2010. You may become aware of that natural

persons' tariffs are 30 – 32% lower than the audit companies ones. The natural persons had for 2009 an average fee in amount of 71 Lei/hour, in 2010 an amount of 79 Lei/hour in comparison with the audit companies which had in 2009 an average fee of 101 Lei/hour and in 2010 a fee of 116 Lei/hour.

The Report for 2011 of the Council of the Financial Auditors Body in Romania was not published yet but I have succeed to obtain the Real situation of the number of active auditors, natural and legal persons recorded with the Official Auditors Register on 27th December 2011 from CAFR's site. The total number of active auditors, natural persons and audit companies is of 3,968, distributed on counties as follows:

Table no. 15

**Distribution in Romania on counties of active auditors,
natural and legal persons**

No.	County	Natural persons	Legal persons
1.	ALBA	16	6
2.	ARAD	40	14
3.	ARGES	82	16
4.	BACĂU	59	17
5.	BIHOR	41	10
6.	BISTRITA-NĂȘĂUD	21	7
7.	BOTOSANI	9	3
8.	BRĂILA	20	4
9.	BRASOV	115	35
10.	BUCURESTI	1508	390
11.	BUZĂU	23	9
12.	CĂLĂRASI	9	2
13.	CARAS-SEVERIN	6	2
14.	CLUJ	116	38
15.	CONSTANTA	96	38
16.	COVASNA	13	4
17.	DĂMBOVITA	27	8
18.	DOLJ	36	12
19.	GALATI	61	19
20.	GIURGIU	6	2
21.	GORJ	10	8
22.	HARGHITA	16	4
23.	HUNEDOARA	22	5
24.	IALOMITA	18	4
25.	IASI	108	29

26.	ILFOV	62	13
27.	MARAMURES	36	8
28.	MEHEDINTI	11	2
29.	MURES	40	15
30.	NEAMT	42	15
31.	OLT	12	3
32.	PRAHOVA	115	24
33.	SĂLAJ	9	2
34.	SATU-MARE	20	13
35.	SIBIU	50	17
36.	SUCEAVA	28	8
37.	TELEORMAN	14	1
38.	TIMIS	93	36
39.	TULCEA	20	11
40.	VÂLCEA	33	12
41.	VASLUI	10	4
42.	VRANCEA	17	8
	TOTAL	3090	878
	GENERAL TOTAL	3968	

Source: personal processing

Big Four has a very important place from the total number of the auditors, natural and legal persons in Romania, “owning around 70% of the market, and the first 10 companies according to Income Top has approximately 90% of the market”. Big Four further integrates PriceWaterhouse, KPMG, Deloitte and Ernst&Young.

As considering audit market clusters, you may observe and important number of auditors and companies in Bucharest with 45% of the total. This may be explained by the large number of companies with registered office in Romania’s capital. Other important towns are Braşov, Cluj, Iaşi and Prahova which represent to a certain extent the four important regions of Romania – the centre of the country, Transylvania, Moldavia and Muntenia. Nevertheless the companies are spread quite homogeneously on all Romania’s surface, depending mainly on the economic activity developed in each area.

Argument and conclusions

The comparison of the evolution at the total level of active auditors, natural and legal persons in the two countries stands out in table no. 16:

Table no. 16

Comparison between active auditors, natural and legal persons in Spain and Romania

Year	Spain		Romania	
	Natural persons	Legal persons	Natural persons	Legal persons
1990	5847	645	-	-
1993	5543	735	-	-
1996	5664	802	-	-
2000	5406	962	382	0
2001	-	-	979	130
2002	-	-	1131	313
2003	-	-	1174	475
2004	5286	1151	1280	569
2005	-	-	1277	623
2006	5548	1211	1465	688
2007	-	-	1927	805
2008	-	-	2203	875
2009	5758	1317	2706	814
2010	5589	1357	3134	893
2011	7602		3090	878

Source: own processing

While the number of active auditors, natural persons in Spain remained approximately constant during 20 years, the number in Romania increased in 10 years approximately 10 times.

The number of audit companies in Spain doubled during the 20 years post-integration, reaching 1,300 companies and in Romania increasing in 20 years up to 878 companies. So, the increase pace in Romania is faster, but gradual, as Spain experienced a brutal increase in the first year, and then the audit services market modeled according to the needs.

If we compare the number of active auditors with the number of auditors obtaining income from audit activities in the two countries, the results are surprising. The figures may be consulted in Table 17.

Table no. 17

Situation of active auditors, natural and legal persons obtaining or NOT income from audit activities in Spain and Romania

Year	Spain		Romania	
	Active	With income	Active	With income

2004	Natural persons	3181	1883	-	-
	Legal persons	1151	1028	-	-
2005	Natural persons	-	-	1277	148
	Legal persons	-	-	623	461
2006	Natural persons	2991	1733	1465	161
	Legal persons	1211	1103	688	510
2007	Natural persons	-	-	1927	237
	Legal persons	-	-	805	571
2008	Natural persons	-	-	2203	236
	Legal persons	-	-	875	105
2009	Natural persons	3022	1625	2706	408
	Legal persons	1317	1187	814	642

Source: own processing

The percentages are as results from table no. 18.

Table no. 18

Percentage of the active auditors, natural and legal persons in Spain and Romania who had incomes from audit activities

Year	Spain		Romania	
	Natural persons obtaining incomes from audit activities	Legal persons obtaining incomes from audit activities	Natural persons obtaining incomes from audit activities	Legal persons obtaining incomes from audit activities
2004	59,19%	89,31%	-	-
2005	-	-	11,58%	73,99%
2006	57,94%	91,08%	10,98%	74,12%
2007	-	-	12,29%	70,93%
2008	-	-	10,71%	12,00%
2009	53,77%	90,12%	15,07%	78,86%
Average	56,96%	90,17%	12,12%	61,98%

Source: own processing

As you may observe, in the last years, the percentage of the active natural persons who had incomes from audit activities is very low. If in Spain the percentage ranges between 50 and 60% in Romania it is extremely low and represents 12.12%. Although in an optimistic estimation you may suppose that Romania's economy grows, develops, it cannot include all natural persons, active auditors. So, I allow myself predict for the next years an increase of the inactive auditors, natural persons in Romania. This

phenomenon shall occur also in Spain, first of all due to the current economic crisis.

The percentage of the active audit companies which issued invoices for audit activities is much better than the natural persons' one. In Spain it is over 90% and in Romania over 60%. It is predictable that in Romania occurs the phenomenon which took place in Spain. The number of audit companies shall increase despite the natural persons. Their advantage is that with a high number of employees may audit large companies and may cover extended territories. Moreover, the companies tend to choose the large audit companies due to the fact that they are known at national and international level and they have good reputation.

Romania hasn't a centralized system were companies communicate if they performed or not an audit. Consequently I didn't succeed obtain the number of Romanian companies having the obligation to perform an audit, or the mandatory and voluntary audits volume. In order to compare the volume of the economic activity of the two countries, I shall compare Spain and Romania's GDI in the last 20 years.

Table no. 19

**Proportions comparison of Romania and Spain's GDI
during 1991-2010**

Year	Spain	Romania	% comparison, Romanian and Spain's GDI
1991	560 billion \$	28 billion \$	5,00
1992	612 billion \$	25 billion \$	4,08
1993	509 billion \$	26 billion \$	5,10
1994	515 billion \$	30 billion \$	5,82
1995	596 billion \$	35 billion \$	5,87
1996	622 billion \$	35 billion \$	5,62
1997	572 billion \$	35 billion \$	6,11
1998	600 billion \$	42 billion \$	7,00
1999	617 billion \$	35 billion \$	5,67
2000	580 billion \$	37 billion \$	6,37
2001	609 billion \$	40 billion \$	6,56
2002	686 billion \$	45 billion \$	6,55
2003	883 billion \$	59 billion \$	6,68
2004	1.044 billion \$	75 billion \$	7,17
2005	1.130 billion \$	98 billion \$	8,67
2006	1.234 billion \$	122 billion \$	9,88
2007	1.441 billion \$	169 billion \$	11,72

2008	1.593 billion \$	200 billion \$	12,55
2009	1.464 billion \$	161 billion \$	10,99
2010	1.407 billion \$	161 billion \$	11,44

Source: World Bank, Development indicators,
datos.bancomundial.org/indicador/NY.GDP.MKTP.CD

As you may observe, Romania's GDI after 2007 represents just 11 – 12% of Spain's GDI value. Romania's economy development in the next period is a taboo subject, with optimistic scenarios, but particularly pessimistic.

If we consider 2009, results in Spain a number of 1,625 natural persons and 1,187 audit companies audited the financial situations of the companies here, which Gross Domestic Income is of 1,464 billion dollars. In the same year in Romania a number of 408 natural persons and 642 audit companies (below 40% of the number of auditors and audit companies in Spain) audited the financial situation of the companies in Romania, which Gross Domestic Income was 10 times lower, namely 161 billion dollars.

As **limitations of the research** I would like to mention the fact that to do a real comparison between the volume of the financial audit in Spain and Romania I needed the number of companies in Romania which have the obligation to perform audit and the volume of mandatory and voluntary audits yearly performed. Consequently Romania hasn't an institution which centralizes these data as the Accounting and Audit Institute does in Spain (ICAC). That is why in order to approximate the level of auditors' activity in the two countries I compared GDIs' levels in Romania and Spain in the last 20 years.

This analysis is part of a larger research which shall go further with other comparative studies determining the way the regulations of the European Directives were adopted in the Romanian and Spanish legislation, comparison of the legal limits established in the two countries for the companies to be compelled to perform audit and evaluation of that limits, if they are considered adequate, low or high or the analysis of the financial audit's particularities in the two countries. We shall also research the role and helpfulness of financial audit in Romania and Spain from financial auditors, audited companies and audited accounting information's perspective.

The conclusion is that considering the current level of economic development in Romania and the near future development perspective, the

current number of active auditors is too high, and it shall lower in the next years due to the lack of a sustained economic activity.

If in the next period Romania shall consider a development and sustaining policy for the small and medium-sized companies, combined with audit mandatory limits lowering, the audit market may increase, generating the same time more confidence in the economic environment. As I previously mention, comparing with the total audited companies in Spain, the small and medium-sized companies represent 40%. Continual sustaining of small and medium-sized companies in Spain represented a priority, which generated economic development and social welfare.

Through this comparative analysis of the evolution and market structure of the financial audit in Romania and Spain the hypothesis “financial auditing evolves and enhances in a country with its economical development, as an answer to the challenges of the society it serves” was demonstrated. The evolution and development of the financial audit shall be guided further by the society’s events it belongs to, responding to the interests of the users it represents.

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