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CLARITY IN THE NUMBERS: THE IMPACT OF KEY AUDIT MATTERS ON BUCHAREST STOCK EXCHANGE AUDITOR REPORTS

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Abstract: *This study investigates the application of Key Audit Matters (KAMs) in auditor reports for companies listed on the Bucharest Stock Exchange (BSE) following the adoption of revised International Standards on Auditing. Using content analysis of auditor reports from 2018-2022, we analyze the trends in selected auditors and the KAMs that are being reported. Our findings indicate that auditors disclosed an average of 2-3 KAMs per report, with revenue recognition, asset valuation, and provisions being the most common topics. While KAM reporting increased transparency, the study reveals challenges in consistency and specificity of disclosures. The results provide insights on KAM implementation in an emerging market context and inform ongoing debates on enhancing audit report communicative value.*

Keywords: Key Audit Matters, audit reporting, Bucharest Stock Exchange, International Standards on Auditing

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Introduction

The audit report functions as an essential communication instrument between auditors and stakeholders, offering assurance regarding the veracity of financial accounts. The conventional standardized audit report has been extensively criticized for its restricted informational utility beyond the audit opinion (Church et al., 2008; Mock et al., 2013; Gambetta et al., 2023). In response to demands for enhanced transparency and understanding of the audit process, the regulating body of International Auditing Standards, the IAASB (International Auditing and Assurance Standards Board) has implemented the concept of Key Audit Matters (KAMs) via the revised ISA 701 standard, effective for audits of financial statements for periods concluding on or after December 15, 2016 (IAASB, 2015).

KAMs are defined as "those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period" (IAASB, 2015, p. 5). The publication of important auditing matters (KAMs) aims to enhance the communicative nature of the report provided by the auditor by providing users with additional information to help understand the issues that, according to the auditor's professional judgment, were of vital significance in the evaluation (IAASB, 2015). This represents a significant change in auditor reporting, moving from a largely standardized format to one that provides more specific information about the entity being audited.

The implementation of KAMs has sparked considerable interest among researchers, regulators, and practitioners regarding their impact on audit quality, stakeholder perceptions, and

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decision-making. While several studies have examined KAM reporting in developed markets (e.g., Sirois et al., 2018; Gutierrez et al., 2018), less is known about their implementation and effects in emerging market contexts. This research seeks to fill the existing gap by analyzing Key Audit Matter (KAM) reporting practices among organizations listed on the Romanian Stock Exchange (BSE) within the nation of Romania.

Romania presents an interesting setting to study KAM implementation for several reasons. As a relatively young market economy that joined the European Union in 2007, Romania has undergone significant reforms in its financial reporting and auditing legislation, to align with global standards and EU regulations. The country has implemented IFRS standards for listed companies and has implemented the EU Audit Regulation and Directive. However, challenges remain in terms of institutional development, enforcement, and market maturity (World Bank, 2018). Examining KAM reporting in this context can provide insights into the application of international auditing standards in emerging markets and inform debates on audit quality and transparency.

This research aims to examine the incorporation of Key Audit Matters (KAMs) in audit reports for companies listed on the Bucharest Stock Exchange (BSE) subsequent to the adoption of International Standards on Auditing (ISA) 701. This study seeks to investigate the following research questions:

- What are the characteristics and trends of audit companies for BSE-listed companies from 2018-2022?
- What are the most common types of KAMs reported for the period, and uncommon ones?

This study employs an analysis of content of audit reports for all companies listed on the BSE in the 2018-2022 period. We analyze the number, types, and trends in KAMs reported over this period, as well as their relationship to company characteristics such as industry, size, and auditor type. Additionally, we examine changes in the overall structure and content of auditor reports following KAM implementation.

This study adds to the growing literature on KAM reporting in various ways. Firstly, it provides empirical evidence on KAM implementation in an emerging market context, extending our understanding beyond developed markets. Second, by examining trends over a five-year period, we offer insights into the evolution of KAM reporting practices as auditors and companies gain experience with the new requirements. Finally, our findings inform ongoing debates on the effectiveness of KAMs in enhancing audit report communicative value and potential areas for improvement.

The subsequent sections of this paper are organized as follows: a review of the conceptual background on audit reporting and KAMs is provided in Section 2. Section 3 examines the relevant literature and develops our research questions. Section 4 outlines the research methodology. In Section 5, the paper outlines and argues the results. Finally, the last section provided the conclusions, limitations, and the potential for future research.

1. Audit Reporting Conceptual Delimitations

The Evolution of Audit Reporting

The auditors' report is the principal communication method linking the auditor and stakeholders, offering an assessment of the fairness of the reported financial information. Historically, the audit report has followed a largely standardized format, with the main differentiation being between unqualified and qualified opinions (Church et al., 2008). This standardization aimed to ensure consistency and comparability across reports. However, it has also been criticized for providing limited informational value beyond the binary pass/fail opinion (Mock et al., 2013). The concept of audit reporting is closely linked to broader notions of corporate reporting and governance. Tiron-Tudor et al. (2009) assert that audit reporting is integral to the broader framework of corporate reporting, playing a critical role in assuring the dependability and credibility of financial information presented to stakeholders. The audit report thus plays a considerable part in minimizing information irregularity concerning business management and external stakeholders, helping to the efficient operation of capital markets (Jensen & Meckling, 1976).

Theoretical Foundations of Audit Reporting

Several ideas contribute to the role and evolution of audit reporting. Jensen and Meckling (1976) introduced the agency theory, which holds that contemporary organizations' separation of ownership and control generates possible disagreements between managers (agents) and stockholders (principals). In this setting, the external audit functions as a monitoring device to decrease agency costs and align managers' interests with those of shareholders. Hayes et al. (2005) explore the lending credibility hypothesis, which posits that the fundamental goal of the audit mission should be to provide trustworthiness of financial information. Auditors increase stakeholders' trust in the veracity of financial information by offering an unbiased perspective, allowing for more informed economic decision making. Limperg's (1932) idea of inspired confidence stresses auditors' social responsibilities. According to this idea, the auditor's role is based on the public's belief in the audit's efficacy and the accountant's opinion. As a result, auditors must endeavor to match society's evolving expectations while preserving their independence and professional skepticism. These theoretical approaches serve to explain the continual evolution of audit reporting procedures, including the inclusion of KAMs, as attempts are made to advance the audit report's communication value and social significance.

International Standards on Auditing and Audit Reporting

The ISAs (International Standards on Auditing), developed by the IAASB, provide the primary framework for audit reporting globally. ISA 700 (Revised) "Forming an Opinion and Reporting on Financial Statements" outlines the basic elements and structure of the auditor's report (IAASB, 2015). These include: the *title*, *addressee*, the *Auditor's Opinion*, the *Basis for Opinion*, *Going Concern* information, the newest section of *Key Audit Matters*. It continues with information related to the *Responsibilities of Management and Those Charged with Governance*, the *Auditor's Responsibilities for the Audit of the Financial Statements* and concludes with *Other Reporting Responsibilities*. Of course, the report will be signed by the auditor and will be dated.

The structure and elements of the auditor's report have changed significantly subsequent to the implementation of ISA 701's Key Audit Matters section. By emphasizing "the issues that, in the auditor's professional opinion, were most important during the financial statement audit", this new part seeks to increase openness of the audit process and enhance the report's communicative value (IAASB, 2015).

Audit reporting regulations, worldwide and national level

The public-interest IAASB sets high-quality international auditing, quality control, review, and associated standards. It mostly specifies international audit reporting regulations (IAASB, 2021). IFAC and the Public Interest Oversight Board oversee the IAASB. The IAASB's International Standards on Auditing (ISAs) underpin worldwide audit reporting. Key audit reporting standards include ISA 700 (Revised) "Forming an Opinion and Reporting on Financial Statements", ISA 701 "Communicating Key Audit Matters in the Independent Auditor's Report", ISA 705 "Modifications to the Opinion in the Independent Auditor's Report", and ISA 706 "Emphasis of Matter Paragraphs and Other Matter Paragraphs". The new auditor reporting requirements, which include KAMs via ISA 701, were announced in January 2015 and applied to financial statement audits ending on or after December 15, 2016 (IAASB, 2015). Romania's audit regulatory system is defined by EU law. The Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (as amended by Directive 2014/56/EU) and Regulation (EU) No 537/2014 on specific requirements for statutory audits of public-interest entities are important EU audit reporting regulations. Expanded auditor reporting for public interest businesses was one of many EU Audit Directive and Regulation revisions to improve audit quality and openness. These standards are comparable to the IAASB's KAM concept, however they vary in scope and application (Accountancy Europe, 2015).

Romania must apply EU statutory audit Directives and Regulations. Romania's major auditing regulator is the Chamber of Financial Auditors (CAFR), founded in 1999 by Government Emergency Ordinance number 75/1999 on financial audit activities.

Key Romanian statutory audit and audit reporting requirements include: (1) Statutory audit of annual and consolidated financial accounts under Law no. 162/2017 Directive 2014/56/EU and Regulation (EU) No 537/2014 are implemented by this legislation. (2) CAFR Decision 10/2012: Adopting International Auditing Standards This adopted the IAASB's clarified ISAs for Romania; (3) Order of the Minister of Public Finance 1802/2014 approves Accounting Regulations for individual and consolidated yearly financial statements; (4) ASPAAS Order 155/2021: Quality assurance organization for statutory audits. The CAFR has issued guidance to its members on implementing the new auditor reporting requirements. This includes illustrative examples of audit reports tailored to the Romanian context. As a relatively new EU member state, Romania has made significant progress in aligning its audit regulatory framework with EU requirements and international standards. However, some challenges remain in terms of consistent application and oversight. The World Bank's 2017 Report on the Observance of Standards and Codes (ROSC) on Accounting and Auditing in Romania noted areas for further improvement, including:

- Strengthening the capacity and resources of ASPAAS as the audit oversight body
- Enhancing audit quality assurance processes
- Improving transparency of audit firms through more comprehensive reporting

To summarize, Romania has built a legislative framework for audit reporting that is broadly consistent with EU regulations and ISAs. Ongoing efforts are aimed at improving audit quality and openness by increasing implementation and supervision mechanisms. The new and updated auditor reporting requirements improve audit report communication for Romanian enterprises.

The Concept of Key Audit Matters

KAMs are defined in ISA 701 as "those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period" (IAASB, 2015, p. 5). These elements of the report are identified through discussions with company management and are specific to the entity and the audit in question. Discovering KAMs consists of three steps (IAASB, 2015): (1) Identifying issues communicated with those responsible for governance that necessitated substantial auditor focus; (2) Identifying the matters of greatest significance in the audit; (3) Description of Key Audit Matters in the Auditor's Report. For each KAM, the auditor is required to incorporate a description of the KAM and the reasoning for the matter's significance in the mission and the approach taken to address the matter.

The introduction of KAMs represents a shift from a standardized, boilerplate audit report to one that provides more tailored, entity-explicit data about the audit activity and key areas of risk. The purpose of this revision is to make the audit report more useful for providing information and to make the financial statements more understandable.

2. Debates in the Literature Regarding Audit Reporting

The Audit Expectation Gap

A considerable body of work has focused on the audit expectation gap, labeled as the discrepancy relating the society’s expectation related to an audit mission and the actual work and assurance the profession provides (Humphrey et al., 1993). This gap has been linked to numerous issues, including misconceptions about the nature and limitations of an audit, unreasonable public expectations, and flaws in auditing standards and methods (Porter, 1993). The audit expectation gap has been a motivating reason behind numerous modifications in audit reporting. Cordoș & Fülöp

(2015) assert that initiatives to enhance the communicative efficiency of the audit report, particularly through the incorporation of KAMs, aim to close this gap by delivering more transparent and comprehensive information on the audit process. Nonetheless, several academics contend that merely augmenting knowledge may be inadequate to bridge the expectation gap. Gold et al. (2012) determined that an augmented audit report did not substantially diminish the audit expectation gap in their experimental investigation. This indicates that bridging the expectation gap may need a comprehensive strategy, encompassing modifications to reporting methods as well as initiatives to inform users on the nature and constraints of audits (Kumari & Ajward, 2022; Alsughayer & Alsultan, 2023).

Audit Report Communicative Value

There has been continuous discussion in the literature over the audit report's communicative usefulness. Conventional standardized audit reports have faced criticism for offering minimal informative value beyond the audit conclusion (Church et al., 2008; Mock et al., 2013). This has resulted in requirements for additional detailed and transparent audit reports that offer insights into the audit process and critical risk areas. Vanstraelen et al. (2012) performed an extensive investigation into stakeholder preferences for audit reporting, revealing that consumers need enhanced information concerning entity-specific risks, materiality thresholds, and audit methodologies. These findings correspond with the purpose of KAM reporting, which seeks to furnish users with insights into the most significant concerns in the audit. Nevertheless, several researchers have expressed apprehensions over possible unintended repercussions of enhanced audit reporting. Boolaky and Quick (2016) determined that supplementary disclosures about materiality and audit scope have minimal informative value for banking directors. Lennox et al. (2016) similarly discovered that the UK's enhanced auditor reporting framework offered just marginally beneficial information to investors.

Key Audit Matters: Early Evidence

The introduction of KAMs has prompted an increasing volume of literature focused on their implementation and effects. Sirois et al. (2018) performed an eye-tracking experiment demonstrating that KAMs affect users' information acquisition by directing attention to KAM-related disclosures in financial statements. This indicates that KAMs may function as effective instruments for guiding stakeholders. Gutierrez et al. (2018) investigated how critical audit matters (CAMs) implemented in the United States typically correspond with risks of material misstatement and critical accounting valuations. However, they also noted significant variation in the numerical occurrence of CAMs reported across different auditors and industries. An explicit relationship between the KAM numbers and both client size and complexity is revealed among Spanish listed companies (Sierra-García et al., 2019). Certain types of Key Audit Matters (KAMs), particularly those concerning revenue recognition and asset impairment, were observed to be more prevalent across various industries. These studies offer valuable insights; however, their primary focus has been on developed markets. There is limited knowledge regarding KAM implementation in emerging market contexts, where institutional factors and market characteristics may vary considerably (Lin, 2023; Duboisée de Ricquebourg & Maroun, 2023; Russeau & Zehms, 2024; Bepari et al., 2024).

3. Research findings

The Bucharest Stock Exchange (BVB) is Romania's primary securities market, playing a crucial role in the country's economic development. The top 20 companies listed on the BVB, based on market capitalization and trading volume, represent key industries such as banking, energy, utilities, and technology. These companies drive Romania's economic landscape, providing opportunities for investors and advancing sectors critical to national development. Studying the auditors' reports of the Bucharest Stock Exchange's top companies provides crucial insights for financial and strategic analysis. These reports enhance transparency by offering an independent assessment of financial statements, helping identify potential risks or irregularities. They provide key information on conformity with IFRS and legal frameworks. Auditors' findings also shed light on a company's internal controls, highlighting areas of strength or concern. Additionally, understanding materiality and key audit matters reveals critical aspects of the business's operations. For investors and analysts, such reports are essential for informed decision-making and evaluating a company's financial health and sustainability.

Research method

Content analysis is a structured and replicable method used to examine auditor reports and extract meaningful information such as the auditor's name, common and uncommon Key Audit Matters (KAMs), and broader audit insights. The methodology begins by clearly defining the objective of the analysis, whether it is identifying the recurrence of specific KAMs, assessing the independence and consistency of auditors, or uncovering industry-specific risks. Following this, a coding framework is developed to categorize key elements from the reports. Categories typically include auditor information such as the name, firm, and tenure, as well as detailed classifications of KAMs, dividing them into common issues like revenue recognition or goodwill impairment and less frequent, company-specific concerns. The next step involves collecting auditor reports from reliable sources, such as company filings on stock exchanges or official corporate websites. These reports are segmented into specific sections like the auditor's opinion, the KAM section, and notes on internal controls for systematic examination. Both qualitative and quantitative approaches are employed, with qualitative analysis focusing on identifying themes, tones, and patterns, and quantitative analysis measuring the frequency and significance of recurring terms or phrases. Reliability and validity are ensured through inter-coder checks and comparisons with industry norms or historical reports, bolstering the accuracy of findings. The analyzed data is then interpreted to uncover insights into audit practices, prevalent risks, and trends in auditor behavior or independence, which are presented in a clear format such as tables or graphs. This comprehensive approach allows for a nuanced understanding of audit reports (Krippendorff, 2018; Weber, 1990; Moroney, 2021). By integrating these established frameworks, the methodology offers a robust tool for extracting critical information from complex audit documents and understanding their implications in financial and strategic contexts.

Results

The following table contains an overview of the companies, from the perspective of the audit firm that is engaged in the audit of the financial statements in the period 2018-2022.

Table 1: Companies and their auditors, 2018-2022 period

	Name	**2022**	**Opinion**	**2021**	**Opinion**	**2020**	**Opinion**	**2019**	**Opinion**	**2018**	**Opinion**
1	**Banca Transilvania**	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified	PWC	Unmodified	PWC	Unmodified
2	**OMV Petrom**	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified
3	**Hidroelectrica**	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified	Deloitte	**Modified**
4	**Romgaz**	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified
5	**BRD GSG**	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified
6	**Nuclearelectroica**	Mazars	**Modified**	Mazars	**Modified**	Mazars	**Modified**	Mazars	**Modified**	Mazars	**Modified**
7	**Digi Communications**	KPMG	**Modified**	KPMG	**Modified**	EY	Unmodified	EY	Unmodified	EY	Unmodified

8	**Electrica**	Deloitte	**Modified**	Deloitte	Unmodified	Deloitte	**Modified**	Deloitte	Unmodified	Deloitte	Unmodified
9	**Transgaz**	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified
10	**Fondul Proprietatea**	KPMG	Unmodified	TGS Romania	Unmodified	BDO	**Modified**	PKF Finconta	**Modified**	-	-
11	**MedLife**	EY	Unmodified	EY	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	-	-
12	**One United Proprietes**	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	-	-
13	**Transport Trade Services**	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified
14	**Transelectrica**	PKF Finconta	Unmodified	PKF Finconta	Unmodified	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified
15	**Aquila**	EY	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified
16	**Teraplast**	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	Deloitte	Unmodified	EY	Unmodified
17	**Sphera Franchise Group**	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified	EY	Unmodified
18	**BVB**	Mazars	Unmodified	Mazars	Unmodified	Mazars	Unmodified	Mazars	Unmodified	Mazars	Unmodified
19	**Purcari Wineries**	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified	KPMG	Unmodified
20	**Conpet**	PKF Finconta	Unmodified	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified	BDO	Unmodified

Source: Author's projection

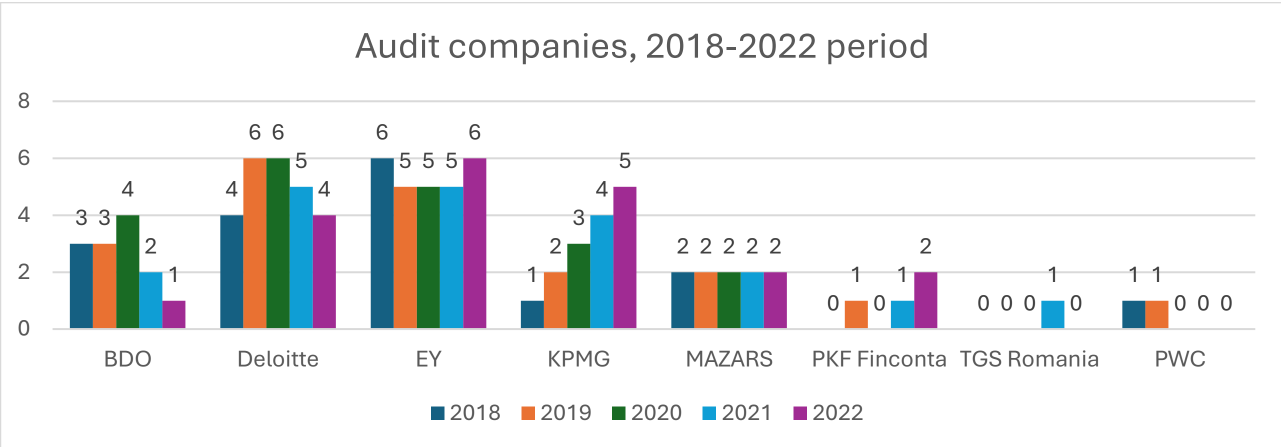

Figure 1: Audit companies, 2018-2022 period

Source: Author's projection

Key Audit Matters (KAMs) reflect significant areas of focus in an auditor's evaluation. Common KAMs, such as revenue recognition, asset valuation, and goodwill impairment, are consistent across industries, highlighting pervasive financial risks. Uncommon KAMs, often industry or company-specific, reveal unique challenges, such as regulatory compliance, environmental liabilities, or emerging market uncertainties. The following figure highlights the most important common and uncommon KAMs found in the auditors report for the selected companies, in the 2018-2022 period:

Common KAMs

- Investments in subsidiary companies;
- Impairment of financial instruments;
- Valuation of non-current assets (tangible and intangible);
- Impairment of goodwill;
- IT systems and controls over financial reporting;
- Re-evaluation of propriety, plant, equipment;
- Inventory valuation;
- Revenue recognition.

Uncommon KAMs

- Equity accounting;
- Business combinations;
- Valuation of retirement benefits;
- Implementation of new IT systems;
- Taxation interpretations;
- KAMs on non-financial metrics;
- Lease-related KAMs;
- Insurance related KAMs;
- Provision recognition.

Figure 2: Common and uncommon KAMs in the 2018-2022 period, Bucharest Stock Exchange

Source: Author's projection

It is evident that certain Key Audit Matters that have been identified are applicable to all organizations. Investments in subsidiary companies require assessing the recoverability of investments to ensure their carrying value aligns with the subsidiary's performance. Impairment of financial instruments evaluates potential losses in financial assets due to credit risk or market fluctuations. Valuation of non-current assets (tangible and intangible) involves determining accurate fair values, often influenced by market and operational conditions. Impairment of goodwill focuses on testing the recoverability of goodwill balances, especially under changing economic conditions. IT systems and controls over financial reporting assess the reliability of financial data and safeguard mechanisms against unauthorized access or errors. Re-evaluation of property, plant, and equipment ensures carrying amounts reflect their fair value and account for depreciation or usage changes. Inventory valuation checks for accurate stock assessments, accounting for obsolescence or slow-moving inventory. Finally, revenue recognition ensures compliance with accounting standards, particularly in areas with complex arrangements like multi-deliverable contracts or deferred income. These common KAMs highlight critical risks and judgments, guiding stakeholders on key financial and operational challenges. Nonetheless, each business has its own unique set of risks, some of which are associated with specialized financial operations.

Conclusions

This study analyzed the application of Key Audit Matters in auditor reports for firms listed on the Bucharest Stock Exchange (BSE) subsequent to the introduction of new International Standards on Auditing. Our examination of auditor reports from 2018-2022 reveals numerous noteworthy results and consequences for audit practice and legislation in Romania.

First, in line with results from other countries, we discovered that auditors revealed, on average, two to three KAMs each report for businesses listed on the BSE. Revenue recognition, asset valuation, and provisions—areas of considerable judgment and complexity in financial reporting—

were the most often discussed KAM issues. This implies Romanian auditors are concentrating on risk areas that are comparable to those of their colleagues in more mature economies.

Second, our analysis revealed an evolution in KAM reporting practices over the five-year period studied. Initially, there was considerable variation in the number and detail of KAMs reported, likely reflecting a learning curve for both auditors and companies. However, reporting practices appeared to stabilize over time, with more consistent approaches emerging across audit firms.

Third, although KAM reporting has boosted auditor report openness, its specificity and informativeness remain issues. The vague descriptions of certain KAMs may restrict their value to financial statement readers. This emphasizes the need to increase KAM reporting quality and relevancy.

The adoption of KAMs in Romania must be considered within the framework of the nation's comprehensive initiatives to harmonize its financial reporting and auditing methods with EU legislation and international standards. While great progress has been made, our findings imply that there is still opportunity for improvement in areas such as audit monitoring, quality assurance, and the application of professional judgment in defining and describing KAMs.

From a theoretical perspective, our study contributes to the ongoing debate about the audit expectation gap and the communicative value of audit reports. The introduction of KAMs represents an attempt to bridge this gap by providing more transparent and detailed information about the audit process. However, the effectiveness of this approach depends on the quality and relevance of the information provided.

For regulators and standard-setters, our findings highlight the importance of clear guidance and robust oversight in implementing new auditing standards. The variation in KAM reporting practices observed in the early years of implementation suggests a need for more specific guidelines and examples tailored to the Romanian context.

For auditors, our study underscores the importance of developing a deep understanding of their clients' businesses and industry-specific risks to identify and communicate meaningful KAMs. It also highlights the need for ongoing professional development to enhance skills in risk assessment and clear communication.

Our results imply that KAMs may help investors and analysts understand the most important audit focus areas. However, KAM disclosures may have limits and should be considered with other financial information about a firm.

Future study might examine how KAM reporting affects audit quality, investor decision-making, and market responses in Romania. Comparative studies of KAM implementation in developing nations may reveal additional variables affecting audit reporting procedures.

In conclusion, the implementation of KAMs in Romania represents a significant step towards enhancing the transparency and communicative value of auditor reports. While challenges remain, continued focus on improving the quality and relevance of KAM disclosures has the potential to strengthen the role of auditing in supporting the development of Romania's capital markets and broader economy.

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