

## What is the price for audit?

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**Abstract:** *The paper is aimed at analysing accounting units that are engaged in auditing. The analysis was performed over a period of 4 years on 236 units of account, accounting for 98.73% of all companies involved in the provision of audit services. In these companies, we have measured the selected financial indicators, such as labour costs and sales for services provided. Based on the above data, we have attempted to determine the impact of wage costs on the cost of auditing services. This analysis was made not only depending on the size of the accounting units but also on the individual regions.*

**Keywords:** *salary, financial statements, audit firms*

JEL codes: M 29, M 40 ([http://www.aeaweb.org/jel/jel\\_class\\_system.php](http://www.aeaweb.org/jel/jel_class_system.php))

### 1 Introduction

The financial statements, which each entity compiles at the end of the accounting period, provide a true and fair view of the assets, liabilities, equity and, last but not least, the activities of the entity (Šlosárová, 2014). Each entity represents a separate economic entity that maintains accounting for the accounting period and prepares financial statements in accordance with Act No. 431/2002 Coll. on accounting, as amended, and the accounting procedures according to the size of the entity. An entity is required to maintain accounting for its existence from the date of its establishment to the date of its termination. Such assurance provides an auditor (Kareš, 2015) who can carry out his activity as a self-employed person or as an audit firm for the users of the financial statements. In the case of an auditor's role within the audit firm, such a company is an accounting unit and as such is also required to keep accounts prepared to prepare financial statements.

### 2 Methodology and Data

The financial statements in the double-entry bookkeeping system comprise a balance sheet, a profit and loss statement and notes. In the system of double-entry accounting, almost all audit firms operating in the Slovak audit market account for. Accounts are the source of many information that is important not only for external users (Parajka, 2015), (Kňážková, 2017), (Majdúchová, H. and Rybárová, D., 2015) who decide to invest their

money also for the owners of the companies, respectively. their employees. These entities are required to publish their financial statements in the financial statements after their preparation. When we collected data from our financial statements, we focused on obtaining data that we subsequently used to calculate payroll and revenue receipts for auditing services. The data on individual companies were obtained from the register of financial statements as part of the final work (Užiková, L. Analysis of Selected Financial Indicators of Accounting Entities Performing in the Audit Area, 2017). In addition to the records of the financial statements, the entities also publish their financial statements at the head offices of the individual companies, which in addition to fulfilling the obligation to disclose the financial statements also fulfil the information and promotional function for the unit of account. In the case of audit firms that carry out statutory audits in public interest entities, these companies are required to prepare and publish the annual transparency report.

The accounting period for which accounting units are accounted for is regulated in the Act on Accounting and is usually a calendar year. However, some audit firms have the option of setting the accounting period as the economic year, i.e. the accounting period. in the range of twelve consecutive months but which are not the same as the calendar year. For this reason, calendar years 2013 - 2016 were taken over the reference period, regardless of the month in which the accounting period begins for the audit firm.

In the Slovak Audit Market, 236 audit firms operated actively in the monitored period. Of these, the top four are the common name "Big Four" and include the following companies: Deloitte Audit s. r. o., KPMG Slovakia spol. s r. o., PricewaterhouseCoopers Slovakia s. r. about. and EY Slovakia spol. s r. about. (formerly Ernst & Young Slovakia, Ltd.). Of the stated number of auditing companies, three companies (AUDITEVA, Ltd., AT Partners Audit Ltd. and TOP AUDITING s.) Did not submit the financial statements, but considering the total number of units analysed, we consider this number to be negligible. In terms of their geographical breakdown, the highest concentration of auditing companies in the Bratislava region is:

**Graf 1** Number of Audit Companies in 2013 - 2016



Source: Custom Processing

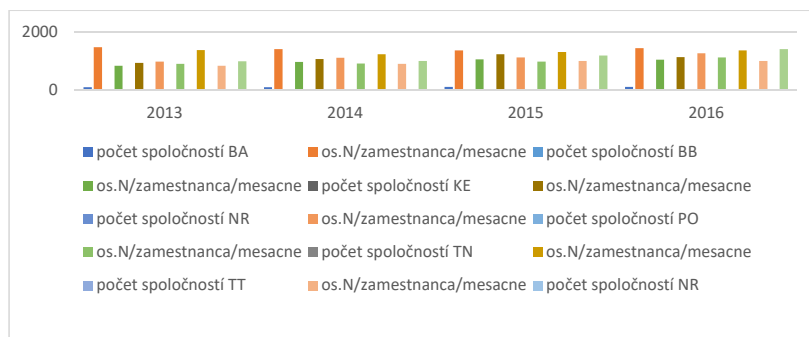
The main objective of the contribution is, based on the analysis of selected data with the published financial statements, to verify the hypothesis that an audit at the highest price is carried out in the Bratislava Region.

### 3 Results and Discussion

To verify the established hypothesis, we relied on the data contained in the published financial statements, on the level of personnel costs, the number of employees and the turnover of individual companies. These data were analysed over 4 consecutive periods.

We calculated the average cost per employee per calendar month from the personal cost / employee ratio. Given the fact that not every company has posted the number of employees in the notes, this figure (average personnel cost per employee) is estimated with a probability of 83.3%. We obtained the most accurate data from the Košice Region, where almost 97% of the companies have published data in the register of financial statements for all the monitored period. In the Poprad, Trnava and Nitra regions we analyzed the data with only 75% probability. The average cost of personnel costs is presented with the following graph:

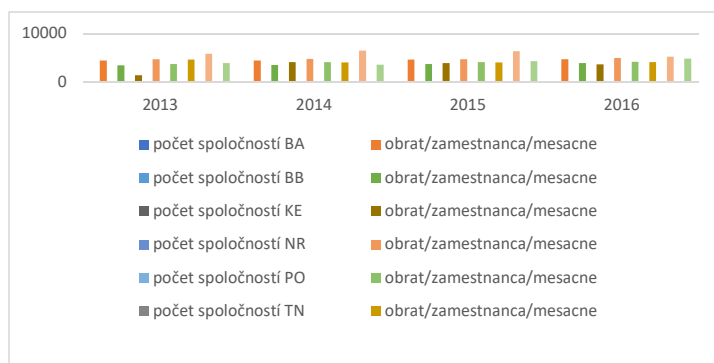
**Graf 2** Personal costs in € per employee (Osobné náklady v € na jedného zamestnanca)



Source: Custom Processing

From the turnover of the company and the number of employees, it is possible to determine the share of the employee's share of the turnover in the company.

**Graf 3** Average turnover in € per employee (Priemerný obrat v € na jedného zamestnanca)



Source: Custom Processing

## Conclusions

Based on the above analysis it can be stated that in the region of Bratislava the personal costs per employee are the highest. Audit companies based in the Bratislava Region give their employees the highest pay for their work. The highest turnover per employee is reported by companies based in the Nitra region.

The performance of the audit, and its final output - the auditor's report, is important not only for the audited companies but also for ensuring the financial stability of a company (Krišková, P. and Kršíková, V., 2012). The importance of auditing for external users of financial statements is thus crucial in many cases for determining the existence of a company (Pakšiová, 2016). Currently, there is a Guideline of the Slovak Chamber of Auditors to determine the audit period, which is based primarily on the value of the assets and revenues of the audited company, the hourly rate for the performance of the audit is not specified in the guidelines. In our analysis, we used only the number of employees, regardless of their functional classification (auditor's assistant, auditor, partner in the company, etc.). As a rule, auditing companies are remunerated for the performance of the audit, depending on the functional classification of the auditors. At present, there is a discussion of audit firms to adjust guidelines that consider not only the value of the assets and revenues of the audited company, but also the type of their activity and, finally, the timeframe of the auditor.

In conclusion, based on the above analysis, it is possible to state the acceptance of the established hypothesis. In the Bratislava Region, the largest number of audit firms, including the four largest, employing the largest number of auditors compared to other regions. To provide audit firms with the highest remuneration for their work, these companies perform the highest prices on average.

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