
The Place of Conducting the Audit of Financial Statements versus the Location of the Head Office of Audit Firms in Poland

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Abstract

Purpose: The aim of the study is to recognise the relationship between the location of conducting an audit of financial statements and the location of head offices of audit firms operating in Poland.

Methodology/research approach: The document examination method was used in the study. The analytical approach involved a targeted search of the content of the annual reports of audit firms submitted for 2022 to the Polish Agency for Audit Oversight – PANA (as part of the statutory auditors’ reporting obligations under Article 51 of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2023, item 1015)) to determine the relationship between the place of the audit of financial statements and the head office of their audit firms. The results of the search performed were then aggregated and plotted on a map showing the administrative division of Poland into provinces.

Results: Audit firms from all over Poland audit a relatively large number of entities based in Mazowieckie Province. In many provinces, due to the distribution of the location of major cities, audit firms, while conducting audits close to their head office, actually conduct them in another province. Most audits are performed by audit firms in their own province or in neighbouring provinces. However, audit firms established in Mazowieckie Province and Wielkopolskie Province audit entities all over Poland. The TOP12 firms, i.e., audit firms with more than 1% share in audits of public interest entities (PIEs), have a significant share here.



Research limitations/implications: The research limitations result from several reasons. The rigid information structure of the annual financial statements submitted to PANA is fundamental (<https://strefa.pana.gov.pl/wyszukLwarka/>). For this reason, for the purposes of the audit, the head office in accordance with the PANA register of audit firms was accepted as the head office of the auditing entity. Other limitations relate to the fact that the head office of the audited entity may be different from the place where operations are actually performed, while the geography of Poland and differences in the development of the infrastructure of individual regions may distort the idea of local performance of the financial statement audit service.

Originality/value: This is the first data analysis of this type in Poland, enabled due to the reporting information about their activity by audit firms to the supervising authority – through the STREFA System of Registration and Records of Audit Firms. Earlier analyses referred only to the activities of audit firms taking into account their geographical distribution across the country. It allows to identify the business model of audit firms operating in Poland and their preferences regarding contacts with clients, as well as to recognise the market of financial statement auditing services in terms of its saturation in individual regions of the country.

Keywords: financial audit, audit of financial statements, financial review, location of audit firm

Introduction

In Poland, consolidated reports of capital groups and annual financial statements of entities that continue its operations, as listed in Article 64 para. 1 pt. 1 to 3 of the Accounting Law (Accounting Law of 1994), are subject to the statutory auditor's examination. Financial statements of other entities (such as limited liability companies, limited partnerships, partnership limited by shares, limited liability partnership, registered partnerships, civil partnerships and natural person's businesses) that meet additional conditions set forth in Article 64 para. 1 pt. 4 are also subject to examination. The activities of statutory auditors and audit firms are regulated by the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Act on Statutory Auditors, Audit Firms and Public Supervision of 2017). Requirements for auditing financial statements of public-interest entities (PIEs) are also regulated by Regulation (EU) 537/2014 of the European Parliament and the Council. (Regulation of the European Parliament and the EU Council of 2014).

Audit firms that operate in Poland, especially the large ones, have their offices in different cities to facilitate contacts with clients, but their annual reports do not include information on which office (or offices) handled a particular audit. According to the literature analysed, there has been so far no research¹ carried out into a relation between the registered offices of audit firms and the entities audited, and thus a research niche has been identified.

The aim of the paper is to recognise the relationship between the location of conducting an audit of financial statements and the location of head offices of audit firms operating in Poland. The analytical approach adopted for this purpose involved firstly a targeted search of the content of the annual reports of audit firms submitted for 2022 to the Polish Agency for Audit Oversight as part of the statutory auditors' reporting obligations under Article 51 of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2023, item 1015). The search performed was then aggregated and plotted on a map showing the administrative division of Poland into provinces. The analysis was firstly carried out in total for all the audit companies, then by their size, and then in detail by province. The location of the audit firm was its headquarters as entered in the PANA Register of Audit Firms², and the location of the audited entities was their registered address as indicated in the annual financial statements submitted by audit firms to the Polish Agency for Audit Oversight.

The analysis discussed herein is the first data analysis of this type in Poland, enabled due to the reporting information about their activity by audit firms to the

¹ The research was carried out comprehensively on the entire population of audits performed by audit firms. The data analysed included: (1) data on the entities audited, as provided for in reports submitted to PANA, in which the audit firm reports data concerning the registered office of the entity audited, (2) data on the registered office of the audit firm in accordance with the PANA Register of Audit Firms (with the term of the 'registered office (location) of the entity' being defined by Polish legislation, e.g., in the Civil Code or the Commercial Companies Code).

It would be extremely difficult and expensive, if not impossible, to obtain the detailed data on the audit offices and teams from all the audit firms. This is business data, the disclosure of which could face opposition from the audit firms. In addition, research teams are often composed of employees that perform their work tasks in various offices or units, and in particular, of employees from shared services centres, i.e., from specialised units dealing with specific audit areas.

Besides, the chief statutory auditor in charge of the audit may come from a different office than the other auditors (selected to facilitate direct contact with the client). In view of the above, in order to standardise the approach, it was necessary to adopt a consistent assumption, which was a kind of simplification, but which allowed for a comprehensive analysis of data on the entire market in Poland to be carried out.

² <https://strefa.pana.gov.pl/wyszukiwarka/> [accessed: November 2023].

supervising authority – PANA through the STREFA System of Registration and Records of Audit Firms. Earlier analyses referred only to the activities of audit firms taking into account their geographical distribution across the country.

1. Determination of the validity of the analysis carried out

In order to justify the choice of the research topic made, an analysis of literature on the research into a relation between the location of the examination of financial statements and the location of the registered offices of audit firms was carried out. The review of the selected Polish studies, which is presented below, was complemented by research into the publications listed in the Google Scholar database.

Zeszyty Teoretyczne Rachunkowości (ZTR), a popular journal of accounting and auditing from 2020–2023, was analysed in detail in the scope concerned. According to the literature reviewed, the research carried out into the subject of auditing covered the following issues: internal audit, historical aspects of accounting, acceptances of financial statements audited by statutory auditors or aspects related to specific items of financial statements (outside the scope of this paper). Research works directly related to financial auditing cover three areas:

- 1) an impact of ethics on the audit practices (e.g., Czerny, 2020; Kotyla and Hyży, 2021; Malchev and Bozhinovska-Lazarevska, 2021; Zyznarska-Dworczak, 2022);
- 2) an impact of COVID-19 on the companies' operations and on their continuation as assessed by the statutory auditor (e.g., Chrostowska and Koleśnik, 2021; Chrostowska, 2023; Hyży, 2023);
- 3) a new format for financial reporting by issuers (ESEF) as a subject of examination by a statutory auditor (e.g., Kobiela-Pionnier, 2023; Frendzel and Firkowska-Jakobsze, 2022).

A search of the Google Scholar database (for the period 2020–2023) was carried out with the use of such keywords as 'audit firm', 'audit' and 'location'. This resulted in information having been collected out of 36 publications. The issues addressed therein included, among many, the certification of non-financial information, issues relating to the impact of COVID-19 on the operations of the entities audited, and the impact of financial security on corporate sustainability as well as specific issues relating to the examination of financial statements. Simultaneously, interestingly enough, a significant number of them did not concern the examination of financial statements by auditors at all. The foregoing leads to the conclusion that the issues addressed herein have not been the subject of previous scientific dissertations published in the database searched. However, this does not mean that publications in a similar field are not included in other

databases³. Nevertheless, even if this is the case, the analysis carried out can be considered comparative and original due to the source (information available to the supervision authority) and geographic scope (Poland) of information used for the purposes of its completion.

At this point, it is also worth pointing out that due to the outbreak of COVID-19 (during which the auditing services have undergone major changes due to restrictions aimed at preventing the spread of the virus, in particular, lockdowns), the auditing procedure which was traditionally performed in person by the team of auditors at the audited entity's premises had to be changed. Due to the limitation in face-to-face contacts, most of the audit tasks were carried out remotely (in particular, meetings with both the management and employees of the entity audited).

In conclusion, it can be stated that the existing (recently carried out) scientific research does not directly demonstrate that the relation between the location of the audit and the location of the registered offices of the audit firms was analysed. In addition, the particular pandemic period bringing unprecedented radical changes to the carrying out of business activities and to the functioning of entities and institutions important to their security, could (and did, as stated above) change the way in which the audit firms and the entities audited operate. This fact may have been of significance for the modification of audit procedures by audit firms, including in terms of the location of their performance. The foregoing constitutes a rationale for concluding that the analysis carried out seems to have attributes that originally form part of the characteristics of the audit sector.

2. Analysis of the relation between the registered office of the audit firm and the registered office of the entities audited

The relation between the registered office of the audit firm and the registered office of the entities audited was analysed on the basis of the annual reports submitted by 962 audit firms. Audit firms, especially large ones, have offices in different cities, which facilitates them keeping in contact with clients, but their annual reports do not include information on the office (or offices) that conducted a given audit; therefore, for the purposes of carrying out the analysis, it has been assumed that the location

³ The use of the Google Scholar database only is intentional. The analysis presented herein covered the audit market in Poland, so the focus hereof was primarily on ZTR, a Polish academically recognised journal with a strong interest in accounting and reporting issues. The purpose of the Google Scholar search in Polish was to identify publications edited in that language by other authors.

of the audit performed corresponded in each case to the location⁴ of the audit firm's registered office. The registered office of an audit firm (AF) is understood to mean its principal office according to the register of audit firms maintained by the Polish Agency for Audit Oversight, pursuant to Article 57 of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2023, item 1015). The analysis was carried out on the basis of data derived from nearly 36,000 statutory⁵ and voluntary audits (including 2,020 audits of entities of public-interest entities).

The audit firms analysed performed 35,917 audits, out of which 21,961 (61.1%) were performed for entities with their registered offices in the same province as the registered office of the audit firm. The highest number of audits conducted within the same province were conducted in the following provinces: Kujawsko-Pomorskie (83.6%), Zachodniopomorskie (82%) and Podkarpackie (81.7%). The share of audits lower than 50% for the audits conducted by audit firms within their own province was in the following provinces: Łódzkie (43%), Wielkopolskie (46.5%) and Lubuskie (48.8%). Detailed results have been presented in Table 1 and Figure 1.

As far as the public-interest entities are concerned, it is concluded that 51.6% of the entities audited are based in Mazowieckie Province and they are primarily audited by the audit firms also based in Mazowieckie Province (78.7% of all the audits conducted). A significant share in the number of audits are conducted by the audit firms based in Wielkopolskie Province, which carry out every eighth audit. Their combined market share in terms of the number of the public-interest entities audited is 91.2%.

⁴ The actual auditing services are provided at various locations. They can be rendered at the registered office of the entity audited, and if the accounts are kept by an accounting office, some of the audit tasks are performed at the registered office of the accounting office, meetings with the entity's management or persons authorised by the entity audited can also be held remotely or at the registered office of the AF. Some of the activities relating, for example, to stock taking, or ascertaining the existence of assets, can take place elsewhere. For example, in the case of stock taking, if the entity has warehouses in different parts of the country a statutory auditor should visit at least some of them. For large AFs, some of the tasks can be carried out by their shared services centres situated at different locations. The KBR data may also be analysed in the office. At this point, a uniform assumption should be made, according to which the analysis carried out covers the relation between the registered office of the AF and the registered office of the entity analysed. The results of the research carried out indicate that the services are provided in the province in which the audited office of the AF is located or in a neighbouring province; this demonstrates that a direct contact with clients remains of importance for statutory auditors, even though some of the auditing services can be rendered remotely.

⁵ Audits of both individual and consolidated financial statements of the capital group.

Table 1. Percentage distribution of audits conducted by audit firms from a given province, according to the registered office of the entity audited

Registered office of the AF	Registered office of the entity																	
	dolnośląskie [%]	kujawsko-pomorskie [%]	lubelskie [%]	lubuskie [%]	łódzkie [%]	małopolskie [%]	mazowieckie [%]	opolskie [%]	podkarpackie [%]	podlaskie [%]	pomorskie [%]	śląskie [%]	świętokrzyskie [%]	warmińsko-mazurskie [%]	wielkopolskie [%]	zachodniopomorskie [%]	Other countries [%]	Total [%]
dolnośląskie	77,1	0,6	1,0	1,6	0,7	2,1	6,0	3,9	0,1	0,1	0,6	2,2	0,1	0,2	3,1	0,6	0,0	100
kujawsko-pomorskie	0,3	83,6	0,3	0,3	2,1	0,3	7,1	0,0	0,0	0,1	1,4	0,4	0,0	1,3	1,6	1,3	0,0	100
lubelskie	2,2	0,2	74,6	0,0	0,6	0,2	17,3	0,2	2,4	0,5	0,0	0,5	0,6	0,5	0,2	0,0	0,0	100
lubuskie	6,6	1,8	0,6	48,8	2,8	1,4	6,9	0,5	1,1	0,2	2,8	3,7	0,6	1,8	11,5	9,0	0,0	100
łódzkie	3,7	4,3	1,9	0,6	43,0	2,5	19,2	1,1	1,6	1,2	3,4	6,2	1,8	2,0	5,2	2,2	0,0	100
małopolskie	2,7	1,0	1,4	0,4	1,7	63,6	8,6	0,7	5,1	0,4	0,6	9,2	2,1	0,6	1,3	0,4	0,1	100
mazowieckie	5,5	2,7	1,9	0,9	2,7	4,5	58,5	0,8	1,6	1,0	4,2	5,5	1,0	1,1	6,1	1,7	0,3	100
opolskie	6,7	0,3	0,0	1,0	1,0	1,6	4,5	78,2	0,0	0,0	0,0	5,4	0,0	0,6	0,6	0,0	0,0	100
podkarpackie	0,0	0,0	1,6	0,0	0,0	5,9	4,8	0,3	81,7	0,4	0,0	1,3	3,6	0,1	0,1	0,0	0,0	100
podlaskie	0,3	0,6	0,8	0,0	1,1	0,2	15,3	0,3	0,3	69,6	0,8	0,3	0,0	9,5	0,8	0,0	0,0	100
pomorskie	0,4	5,3	0,1	0,2	0,4	2,2	7,4	0,0	0,2	0,1	79,2	0,4	0,1	1,6	1,2	1,1	0,0	100
śląskie	3,2	0,6	0,6	0,6	1,3	7,7	9,6	2,2	1,1	0,3	1,1	69,6	0,5	0,3	1,0	0,3	0,0	100
świętokrzyskie	0,7	0,0	0,5	0,5	1,9	1,4	11,4	0,0	2,7	0,0	0,2	0,7	78,0	0,0	1,7	0,2	0,0	100
warmińsko-mazurskie	0,4	1,4	0,4	0,0	0,2	0,0	8,7	0,0	0,4	8,5	11,6	0,4	0,0	67,6	0,4	0,0	0,0	100
wielkopolskie	6,0	2,8	0,8	1,8	2,7	2,9	22,6	0,9	0,7	0,4	3,0	4,5	0,7	1,0	46,5	2,6	0,1	100
zachodniopomorskie	0,5	0,7	0,0	2,2	0,1	0,5	4,2	0,0	0,3	0,0	5,2	0,5	0,0	0,4	3,3	82,0	0,0	100

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

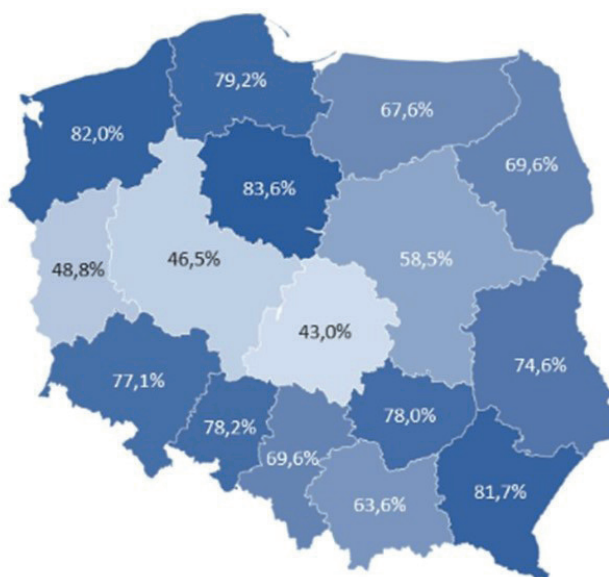


Figure 1. Percentage of audits conducted by audit firms of entities based in the same province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

In contrast, a total of 59.1% of all the audits of public-interest entities conducted by the AFs based in Mazowieckie Province involved entities from the same province.

For the purposes of carrying out a more detailed analysis, the population of audit firms was divided into three groups:

- A – audit firms with a market share of more than 1% in the total revenues from statutory audits of public-interest entities in 2022 (TOP12);
- B – other audit firms auditing public-interest entities and audit firms other than those auditing public-interest entities, which meet the criterion of 1 million of revenues from certified services rendered by statutory auditors or 1 million of other revenues;
- C – other audit firms that do not audit public-interest entities.

The group B and C audit firms were analysed in more detail⁶.

⁶ The group B and C audit firms, i.e., smaller AFs, were analysed in detail, and the results obtained was compared with the result obtained for the entire population. The multi-office problem affects mainly the largest AFs, that is, those from the TOP12. Smaller AFs i.e., from groups B and C have

In Group B, which consisted of 12,300 audits, just over 7,000 were conducted for entities based in the same province. This constitutes 56.8% of the total audits performed. The largest number of audits conducted within a single province were conducted in the following provinces: Świętokrzyskie (84.7%) and Podkarpackie (84.4%). Very similar values (just over % of audits) were conducted in the following six provinces: Opolskie (78.9%), Dolnośląskie (78.1%), Zachodniopomorskie (78%), Kujawsko-Pomorskie (77.3%), Warmińsko-Mazurskie (77.3%) and Pomorskie (76.4%). In only two of the provinces this result is less than half of the audits conducted, namely Łódzkie (29.4%) and Wielkopolskie (36.6%).

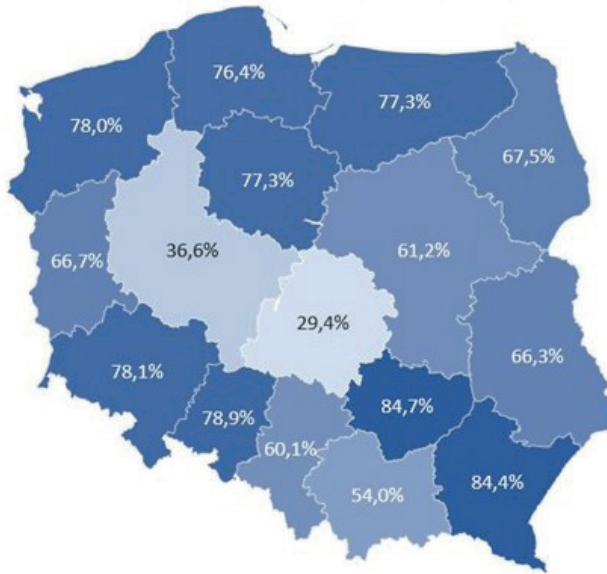


Figure 2. Percentage of the audits performed of entities based in the same province – Group B

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

In Group C, of the more than 13,700 audits, more than 10,300 were conducted for entities based in the same province. This is more than the % of all the audits conducted (75.5%). The largest number of audits of entities based in the same province were conducted in Kujawsko-Pomorskie (85.7%) and Lubelskie (85.6%), and more than 80% were also conducted in Zachodniopomorskie (82.8%), Pomorskie (81.5%)

their registered offices in 10 out of 12 provinces. Smaller entities usually do not have more than one office.

Table 2. Percentage distribution of audits conducted by AFs from a given province, according to the registered office of the entity audited – Group B

Registered office of the AF	Registered office of the entity																	
	dolnośląskie [%]	kujawsko-pomorskie [%]	lubelskie [%]	lubuskie [%]	łódzkie [%]	małopolskie [%]	mazowieckie [%]	opolskie [%]	podkarpackie [%]	podlaskie [%]	pomorskie [%]	śląskie [%]	świętokrzyskie [%]	warmińsko - mazurskie [%]	wielkopolskie [%]	zachodniopomorskie [%]	Other countries [%]	Total [%]
dolnośląskie	78,1	0,4	0,0	1,2	0,5	1,4	7,7	4,5	0,1	0,0	0,4	1,7	0,0	0,0	3,7	0,3	0,0	100
kujawsko-pomorskie	0,6	77,3	0,0	0,0	0,0	0,6	11,4	0,0	0,0	0,0	2,8	1,7	0,0	1,7	1,7	2,3	0,0	100
lubelskie	3,1	0,3	66,3	0,0	0,8	0,3	23,8	0,0	3,1	0,3	0,0	1,6	1,1	0,3	0,0	0,0	0,0	100
lubuskie	1,8	0,0	0,0	66,7	0,0	0,0	1,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	12,3	17,5	0,0	100
łódzkie	4,3	6,0	1,9	0,8	24,9	3,5	20,3	1,3	2,1	1,8	4,4	8,9	2,6	2,8	6,4	3,4	0,0	100
małopolskie	5,2	1,6	2,3	0,7	2,7	54,0	11,9	0,8	4,3	0,6	0,9	8,0	2,5	1,2	1,2	2,3	0,8	100
mazowieckie	4,7	5,0	1,7	0,9	2,3	3,2	61,2	0,6	1,1	0,7	5,9	3,8	0,7	1,2	6,0	1,0	0,1	100
opolskie	8,3	0,8	0,0	0,8	2,3	0,0	1,5	78,9	0,0	0,0	0,0	7,5	0,0	0,0	0,0	0,0	0,0	100
podkarpackie	0,0	0,0	0,7	0,0	0,0	4,1	6,9	0,5	84,4	0,5	0,0	1,2	1,2	0,2	0,2	0,0	0,0	100
podlaskie	0,5	0,5	0,0	0,0	2,4	0,0	19,4	1,0	0,0	67,5	1,0	0,0	0,0	7,8	0,0	0,0	0,0	100
pomorskie	0,5	4,7	0,2	0,3	0,8	1,5	11,1	0,0	0,0	0,2	76,4	0,7	0,2	1,6	0,8	1,0	0,0	100
śląskie	4,7	1,3	0,8	1,2	1,7	8,0	14,9	1,6	1,7	0,3	1,4	60,1	0,3	0,3	1,4	0,4	0,0	100
świętokrzyskie	0,5	0,0	0,0	0,5	0,5	2,2	8,2	0,0	2,2	0,0	0,0	0,0	84,7	0,0	0,5	0,5	0,0	100
warmińsko-mazurskie	0,0	0,0	0,0	0,0	0,0	0,0	13,6	0,0	0,0	0,0	0,0	0,0	0,0	77,3	9,1	0,0	0,0	100
wielkopolskie	7,3	2,2	0,6	2,3	2,2	3,5	29,0	0,9	1,0	0,6	2,9	6,4	0,7	1,5	36,6	2,3	0,0	100
zachodniopomorskie	0,0	3,4	0,0	0,8	0,0	0,0	2,5	0,0	0,0	0,0	13,6	0,0	0,0	0,0	1,7	78,0	0,0	100

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

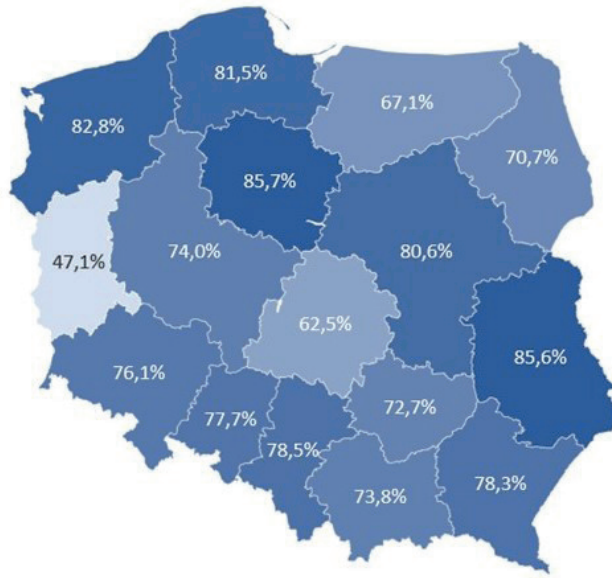


Figure 3. Percentage of the audits performed of entities based in the same province— Group C

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Table 3. Percentage distribution of audits conducted by AFs from a given province, according to the registered office of the entity audited – Group C

Registered office of the AF	Registered office of the entity																	
	dolnośląskie [%]	kujawsko - pomorskie [%]	lubelskie [%]	lubuskie [%]	łódzkie [%]	małopolskie [%]	mazowieckie [%]	opolskie [%]	podkarpackie [%]	podlaskie [%]	pomorskie [%]	śląskie [%]	świętokrzyskie [%]	warmińsko -mazurskie [%]	wielkopolskie [%]	zachodniopomorskie [%]	Other countries [%]	Total [%]
dolnośląskie	76,1	0,8	2,0	1,9	0,9	2,8	4,3	3,4	0,0	0,1	0,9	2,7	0,1	0,4	2,6	0,9	0,0	100
kujawsko -pomorskie	0,2	85,7	0,4	0,4	2,8	0,2	5,6	0,0	0,0	0,2	0,9	0,0	0,0	1,1	1,5	0,9	0,0	100

Registered office of the AF	Registered office of the entity																	
	dołnośląskie [%]	kujawsko - pomorskie [%]	lubelskie [%]	lubuskie [%]	łódzkie [%]	małopolskie [%]	mazowieckie [%]	opolskie [%]	podkarpackie [%]	podlaskie [%]	pomorskie [%]	śląskie [%]	świętokrzyskie [%]	warmińsko - mazurskie [%]	wielkopolskie [%]	zachodniopomorskie [%]	Other countries [%]	Total [%]
lubelskie	1,1	0,0	85,6	0,0	0,4	0,0	8,9	0,4	1,5	0,7	0,0	0,4	0,0	0,7	0,4	0,0	0,0	100
lubuskie	7,1	2,0	0,7	47,1	3,0	1,5	7,4	0,5	1,2	0,2	3,0	4,0	0,7	2,0	11,4	8,2	0,0	100
łódzkie	2,9	1,9	1,9	0,2	62,5	1,2	17,7	0,9	0,9	0,3	2,1	2,2	0,6	0,7	3,4	0,5	0,0	100
małopolskie	0,1	0,5	0,6	0,1	0,6	73,8	5,1	0,6	5,9	0,1	0,2	10,5	1,7	0,1	0,2	0,0	0,0	100
mazowieckie	1,7	1,1	2,7	0,3	2,2	1,4	80,6	0,1	1,1	1,7	0,9	1,8	0,9	1,5	1,4	0,9	0,0	100
opolskie	5,6	0,0	0,0	1,1	0,0	2,8	6,7	77,7	0,0	0,0	0,0	3,9	0,0	1,1	1,1	0,0	0,0	100
podkarpackie	0,0	0,0	2,8	0,0	0,0	8,3	2,1	0,0	78,3	0,3	0,0	1,5	6,7	0,0	0,0	0,0	0,0	100
podlaskie	0,2	0,7	1,2	0,0	0,5	0,2	13,2	0,0	0,5	70,7	0,7	0,5	0,0	10,4	1,2	0,0	0,0	100
pomorskie	0,4	5,7	0,0	0,1	0,1	2,7	4,4	0,0	0,4	0,1	81,5	0,3	0,1	1,6	1,4	1,2	0,0	100
śląskie	1,8	0,0	0,4	0,1	1,0	7,4	4,6	2,9	0,6	0,2	0,8	78,5	0,7	0,3	0,5	0,2	0,0	100
świętokrzyskie	0,9	0,0	0,9	0,4	3,0	0,9	13,9	0,0	3,0	0,0	0,4	1,3	72,7	0,0	2,6	0,0	0,0	100
warmińsko-mazurskie	0,4	1,5	0,4	0,0	0,2	0,0	8,4	0,0	0,4	8,9	12,1	0,4	0,0	67,1	0,0	0,0	0,0	100
wielkopolskie	3,2	3,2	0,2	1,6	2,4	1,1	6,4	1,0	0,2	0,0	1,9	1,2	0,4	0,3	74,0	2,8	0,0	100
zachodniopomorskie	0,6	0,2	0,0	2,5	0,2	0,6	4,5	0,0	0,3	0,0	3,6	0,6	0,0	0,5	3,6	82,8	0,0	100

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

and Mazowieckie (80.6%). The lowest number, i.e., almost half of the audits were carried out in Lubuskie Province, and subsequently over 60% in Łódzkie (62.5%) and Warmińsko-Mazurskie (67.1%).

3. Concentration of audits conducted by audit firms in the province in which their registered offices are located

When analysing the share of the number of audits conducted of the entities based in the same province as the audit firm, it is also important to draw attention to a very crucial factor, namely the number of entities and audits to be conducted in the province concerned. As shown in Table 4, the number of audits conducted by audit firms based in a given province versus the number of audits of entities based in a given province varies widely. They are not in proportion to one another. For each province, a ratio was calculated showing the relation between the number of audits conducted by audit firms based in the province concerned and the number of the entities audited based in that province. If the value of the coefficient is 1, it can be concluded that the demand balances out the supply, i.e., if AFs based in a given province provided auditing services only in their province they would have provided such services to all the entities based in the province which had commissioned such audits. A value of less than 1 means that with the number of audits currently conducted, AFs from a given province would not be able to conduct all the audits commissioned by the entities based in the province (they had to be provided with audit services by the AFs based in other provinces, as the supply was lower than the demand); in turn, a value of more than 1 means that the AFs performed more audits than the number of audits commissioned in a given province, so in order to continue to conduct the same number of audits as currently, they must perform them in other provinces (demand for audits is lower than AFs' ability to conduct them).

In three provinces, namely Łódzkie, Wielkopolskie and Mazowieckie, the number of audits conducted by audit firms based in those provinces was more than 30% higher than the number of audits of entities that were conducted in a given province. The number of audits conducted by auditors based in the province was less than the number of audits commissioned by the obliged entities based in the province concerned. It is also worth noting that, as shown in Table 5, in the case of Wielkopolskie Province and Mazowieckie Province, audit firms based in these provinces have a very large share in all the audits conducted in Poland.

The concentration of audits conducted by audit firms in each province has been presented below, firstly in the form of brief description and then in the form of graphic presentations (Figures 4 to 19).

Table 4. Comparison of the number of audits conducted by audit firms with the number of audits commissioned by entities in the same province

Province	Number of the audits conducted by AFs	Number of audits commissioned by entities based in the province	Number of audits conducted by AFs/ Number of audits commissioned by entities based in the province
dolnośląskie	1.548	2.656	0.58
kujawsko-pomorskie	707	1.384	0.51
lubelskie	623	929	0.67
lubuskie	652	638	1.02
łódzkie	2.291	1.681	1.36
małopolskie	2.487	2.821	0.88
mazowieckie	15.273	11.588	1.32
opolskie	312	584	0.53
podkarpackie	745	1.124	0.66
podlaskie	629	700	0.90
pomorskie	1.382	2.145	0.64
śląskie	2.991	3.613	0.83
świętokrzyskie	414	660	0.63
warmińsko-mazurskie	484	720	0.67
wielkopolskie	4.623	3.456	1.34
zachodniopomorskie	756	1.166	0.65

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Table 5. Percentage share of audit firms based in each province in the number of audits conducted in all the provinces

Province	Share of AF based in the province in the number of audits in Poland
dolnośląskie	4.3%
kujawsko-pomorskie	2.0%
lubelskie	1.7%
lubuskie	1.8%
łódzkie	6.4%
małopolskie	6.9%

Province	Share of AF based in the province in the number of audits in Poland
mazowieckie	42.5%
opolskie	0.9%
podkarpackie	2.1%
podlaskie	1.8%
pomorskie	3.8%
śląskie	8.3%
świętokrzyskie	1.2%
warmińsko-mazurskie	1.3%
wielkopolskie	12.9%
zachodniopomorskie	2.1%

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

The AFs based in Dolnośląskie Province conduct 4.3% of the total audits conducted nationwide (see Table 5). 77.1% of these AFs operate in their own province. The size of the AF has no significant effect on this percentage share. Taking into account the neighbouring provinces, namely Lubuskie, Wielkopolskie and Opolskie, this share rises to 84.1%–87.4%, depending on the size of the AF. In Dolnośląskie Province, the ratio of the number of audits conducted by AFs based in this province to the total number of audits of the entities based in the same province is one of the lowest in Poland and amounts to 0.58 (see Table 4).

The number of audits conducted by AFs based in Kujawsko-Pomorskie Province is 2% of the total audits conducted by AFs in Poland (see Table 5). Overall, 83.6% of these audits were conducted in Kujawsko-Pomorskie Province, and this percentage share rises for the Group C audit firms to 85.7%, and is slightly lower for the Group B audit firms (77.3%). The AFs based in Kujawsko-Pomorskie Province also conduct audits in neighbouring provinces. Such audits account for up to 2.8% of the audits conducted, depending on the province and the group to which the AF is classified. It is worth noting that the total number of audits conducted by the AFs based in Kujawsko-Pomorskie Province represents only slightly more than half (51%) of the total audits of the entities based in Kujawsko-Pomorskie Province. The ratio of the number of audits conducted by AFs based in Kujawsko-Pomorskie Province to the number of audits commissioned by local entities is 0.51 (see Table 4). This is the lowest rate among all the provinces. At the same time, taking into account that the companies conducted a dozen or so percent of their audits outside their province,

this means that most audits of the entities based in Kujawsko-Pomorskie Province were conducted by audit firms based in other provinces.

The AFs based in Lubelskie Province conducted 1.7% of the total audits conducted by the AFs in Poland (see Table 5). Nearly % of them were conducted for entities based in the same province.

In the case of small entities (Group C), the percentage was much higher, i.e., 85.6%, while for the entities in Group B it was much lower, i.e., just over 66%. It is worth pointing out that a significant share of the audits conducted were audits performed for entities based in Mazowieckie Province – almost 9% in the case of entities in Group C and as much as 23.8% in the case of Group B. In total, more than 90% (91.9%) of the audits were conducted in Lubelskie Province and Mazowieckie Province. The ratio of the audits performed by AFs based in Lubelskie Province to the number of audits commissioned by the entities based in Lubelskie Province is 0.67 (see Table 4).

The AFs based in Lubuskie Province conducted 1.8% of the total audits conducted by the AFs in Poland (see Table 5). About half of these audits were conducted for the entities based in Lubuskie Province. In contrast to other provinces, the Group C AFs conducted significantly fewer audits in their own province (47.1%), as compared to the Group B AFs (66.7%). Simultaneously, the Group C AFs conducted audits in all the provinces in Poland, and the Group B AFs, except for Lubuskie Province, only in the neighbouring provinces (Zachodniopomorskie, Wielkopolskie and Dolnośląskie) and Mazowieckie Province. In total, approximately % of audits were conducted in their own province or in a neighbouring province. A similar value applies to the Group C AFs. For the Group B AFs, this value is as high as 98.2%. The analysis of the annual report data also indicates that Lubuskie Province is also characterised by a large share of small AFs (Group C) in the total number of audits conducted by the AFs based in this province – only every eleventh one was conducted by the Group B AF. Lubuskie Province is the only province in which the number of audits conducted by the AFs (see Table 4) is almost the same as the number of audits commissioned by the entities based in that province (the ratio is 1.02).

The AFs based in Łódzkie Province conduct 6.4% of the total audits in Poland (see Table 5). Overall, they conduct only 43% of audits commissioned by the entities in the province, with the Group B AFs conducting just less than 30% of them, and the Group C AFs conduct almost double number of audits, i.e., 62.5%. A significant number of audits are conducted in Mazowieckie Province, which borders Łódzkie Province (approx. 20%). However, the capitals of the two provinces are located close to each other and perfectly communicated (attractive travelling time by highway, as well as by timely-running trains). In addition, the price of the audit in Mazowieckie Province is significantly higher (both in terms of the median and the mean) than in Łódzkie Province (Baklarz, Kreis, 2023). The Group B AFs also account for a large

share in the audits conducted in the neighbouring provinces of Kujawsko-Pomorskie, Wielkopolskie and Śląskie (from 6% to nearly 9%). It is also worth noting that the AFs based in Łódzkie Province conduct significantly more audits than commissioned by the entities based in the same province. This number is more than 1/3 higher, and the ratio of audits conducted by the AFs based in the province to the number of audits commissioned by the entities based in the province is the highest among all provinces, at 1.36 (see Table 4). It is also worth noting that both the median and mean price for a statutory audit of non-public-interest entities⁷ are among the lowest in Poland and are significantly lower than those applicable in the neighbouring provinces (Baklarz, Kreis, 2023).

The AFs based in Małopolskie Province conducted 6.9% of the total audits conducted by Polish AFs in 2022 (see Table 5). The AFs based in Małopolskie Province conducted a total of 63.6% of the audits conducted in their province. In the case of the larger AFs (Group B) – the share was just over half (54%), and in the case of the smaller AFs, the share increased to almost % (73.8%). The AFs conducted audits in all provinces in Poland, but the Group C AFs did not conduct audits of entities based in Zachodniopomorskie Province. The AFs conducted 80% of the audits in these provinces, including the neighbouring provinces (Śląskie, Świętokrzyskie and Podkarpackie) (with the Group B AFs conducting 68.8% and the Group C AFs conducting 91.9%). A significant share in the audits conducted were the audits of entities based in Mazowieckie Province. The ratio of the total audits conducted by the AFs to the audits conducted for the entities based in Małopolskie Province was 0.88 (see Table 4).

The AFs based in Mazowieckie Province conducted the highest number of audits in all the provinces, i.e. 42.5% (see Table 5). Ten out of 12 AFs in the TOP12 have their registered office in this province. The largest AFs based in Mazowieckie Province also have offices in other cities across Poland, which provide auditing services to local entities, and this explains the significant share of the audited entities based in other provinces, especially in the aggregated number (for all the AFs). A total of 58.5% of the audits conducted by the AFs based in this province were conducted in Mazowieckie Province. In the case of the Group B AFs, the share rises to 61.2%, and of the Group C to more than 80%. The AFs based in Mazowieckie Province conducted audits in all provinces (this applies to all groups), in addition to Mazowieckie Province, mostly in the provinces of Wielkopolskie, Dolnośląskie and Śląskie. Mazowieckie Province, along with Łódzkie Province and Wielkopolskie Province, is among the provinces from which the AFs originate, which conduct significantly more audits than commissioned by the entities based in the said province. The ratio of the total audits

⁷ Other non-public-interest entities.

conducted by the AFs to the audits conducted for the entities based in Mazowieckie Province was 1.32 (see Table 4).

The share of the AFs based in Opolskie Province in the total number of audits conducted in Poland is the smallest among all the provinces, i.e., 0.9% (see Table 5). Approximately 78% of the audits were conducted in Opolskie Province (irrespective of whether the AFs were classified to Group B or Group C). A significant number of them were also carried out in the neighbouring provinces (Dolnośląskie Province and Śląskie Province), and a slightly smaller number in Łódzkie Province (Group B). In total, the AFs based in Opolskie Province conducted 91.3% of the audits in these provinces (97% of the Group B AFs and 87.2% of the Group C AFs). Opolskie Province is the province with the second lowest ratio of the number of audits conducted by the AFs based in Opolskie Province to the number of audits of the entities based in the province. It is 0.53 (see Table 4), which means that even if all the AFs conducted audits locally almost half of the audits would still have to be outsourced to audit firms based in other provinces.

The AFs based in Podkarpackie Province conducted 2.1% of the total audits conducted by the AFs based in Poland (see Table 5). The vast majority of them were conducted locally (in the same province) – 81.7% of the audits conducted (including 84.4% conducted by the Group B AFs and 78.3% by the Group C AFs). A significant portion of the remaining audits were carried out in the neighbouring provinces, mostly in Małopolskie Province, as well as in Świętokrzyskie Province and Lubelskie Province. A total of 92.9% of audits (90.4% in Group B and 96% in Group C) were conducted in the province or in neighbouring provinces. A significant portion of audits were also conducted in Mazowieckie Province (in particular, by the Group B AFs – 6.9%). The AFs did not conduct any audit in other provinces. The ratio of the total audits conducted by the AFs based in Podkarpackie Province to the total audits commissioned by entities based in this province was 0.66 (see Table 4), so with the same number of audits conducted by local AFs, 1/3 of the audits conducted had to be commissioned to the AFs based in other provinces.

The AFs based in Podlaskie Province conducted 1.8% of the total audits conducted by the AFs in Poland (see Table 5). Approximately 70% of them were carried out locally (in the same province). Approximately 10% of them were conducted in Warmińsko-Mazurskie Province, and a significant number also in the neighbouring province, i.e., Mazowieckie Province. Both of these provinces are very vast, with significant distances between their capitals, so the auditing of entities situated near their borders seems very natural. In total, in these three provinces, the AFs based in Podlaskie Province conducted about 94.5% of their audits. The ratio of the total audits conducted by the AFs based in Podlaskie Province to the audits commissioned by entities based in this province was 0.9 (see Table 4), so it can be concluded that

the capacity of the AFs based in this province to conduct audits is similar to the demand for such audits.

The AFs based in Pomorskie Province conducted 3.8% of the total audits conducted by the AFs in Poland (see Table 5). They conduct about 80% of audits in their own province (including 76.4% conducted by the Group B AFs and 81.5% by the Group C AFs). They also conduct a significant number of audits (about 5%) in the neighbouring Kujawsko-Pomorskie Province. In addition, a significant percentage of the audits is commissioned by entities based in Mazowieckie Province (4.4% to Group C and 11.1% to Group B). The ratio of the total audits that the AFs based in Pomorskie Province conduct to the audits commissioned by entities based in this province was 0.64 (see Table 4). The audits of entities based in the province is thus roughly one-third greater than the total of audits conducted by the AFs based in the province.

The AFs based in Śląskie Province rank third in Poland in terms of the number of audits conducted and first among provinces without the AFs from the TOP12. Their share was 8.3% of the total audits in 2022 (see Table 5). Depending on the size of the AFs, they conduct from just over 60% (Group B) to almost 80% (Group C) of the audits in their own province (69.6% in total). The neighbouring Małopolskie Province (7.7%) and Opolskie Province (2.2%) also have a significant share of the number of audits conducted. A total of 81.3% of the audits conducted by the AFs based in Śląskie Province were conducted in the province or one of the neighbouring provinces. A significant share of audits (almost 10%) were also carried out in Mazowieckie Province. For larger AFs (Group B), the share reaches almost 15%, and for the smaller AFs (Group C) it is 4.6%. The ratio of the total audits conducted by the AFs based in Śląskie Province to the number of audits commissioned by entities based in that province was 0.83 (see Table 4). It is also worth noting that Śląskie Province is the second in Poland in terms of demand for the auditing services rendered by AFs (see Table 4) – entities based in Śląskie Province commissioned 3,613 audits (out of almost 36,000 in Poland).

The number of audits conducted by the AFs based in Świętokrzyskie Province is the second smallest among all the provinces and amount to 1.2% (see Table 5). A total of 78% of the 2022 audits conducted by the AFs based in Świętokrzyskie Province were conducted in the province. Interestingly, larger audit firms (Group B) conducted more audits, i.e., 84.7% of audits, and smaller AFs (Group C) only 72.7%. A significant number of audits were also conducted in Mazowieckie Province, i.e., 11.4% (with 8.2% in Group B and as much as 13.9% in Group C). It is worth noting that the distance between the entities based in Mazowieckie Province, which are located near the border of the province, and the AFs based in Świętokrzyskie Province, is much shorter than to Warsaw. Other provinces with a significant share in the number of audits conducted are also the neighbouring provinces: Łódzkie, Podkarpackie and Małopolskie. In total, the audits conducted in these provinces were between 5 and

7%, depending on the group of the AFs. The ratio of the total audits conducted by the AFs based in Śląskie Province to the number of audits commissioned by entities based in that province was 0.63 (see Table 4). As a result, more than one-third of the audits that were commissioned by entities based in Świętokrzyskie Province had to be conducted by the AFs based in other provinces.

The next province, in terms of the number of audits conducted by the AFs based in this province, is the Warmińsko-Mazurskie Province with 1.3% of the total audits conducted by Polish AFs (see Table 5). 67.6% of them were conducted in the same province. This figure was as high as 77.3% for larger AFs (Group B). Small AFs (Group C) definitely dominate in Warmińsko-Mazurskie Province. Among the audits conducted by the AFs based in Warmińsko-Mazurskie Province, only every 20th one was conducted by the Group B AFs. Given the size and geography of the province, it seems natural to audit entities based in neighbouring provinces. A significant number of audits were carried out in Pomorskie Province, Podlaskie Province and Mazowieckie Province (a total of between 8.5% and 11.6%), and a significantly smaller number in Kujawsko-Pomorskie Province (1.4%). Audits were not conducted in the remaining provinces or their number was insignificant. The ratio of the total audits conducted by the AFs based in Warmińsko-Mazurskie Province to the number of audits commissioned by entities based in this province was 0.67 (see Table 4). As a result, at least one-third of the audits that were commissioned by entities based in Warmińsko-Mazurskie Province had to be conducted by the AFs based in other provinces.

The AFs based in Wielkopolskie Province ranked second in terms of their share in the number of audits (see Table 5) which amounted to 12.9% (every eighth audit in Poland was conducted by the AF based in Wielkopolskie Province). It also houses the remaining two ⁸ of the AFs from the TOP12. Owing to the Group A AFs (TOP12) and Group B AFs, which conduct a significant number of their audits in other provinces (mostly in Mazowieckie Province), only 46.5% of the audits were conducted in the province in which they are based, and another 22.6% in Mazowieckie Province. For Group B, this share is even lower, i.e., 36.6% in Wielkopolskie Province and as high as 29% in Mazowieckie Province. A large number of audits were also carried out for entities based in Śląskie Province and Dolnośląskie Province. In general, larger AFs conduct audits of entities in all the provinces. The Group C AFs are quite different, as they conducted 74% of their audits in their own provinces, between 1% and 3.2% in their neighbouring provinces, and 6.4% in Mazowieckie Province. Wielkopolskie Province is one of the three provinces (along with Łódzkie Province and Mazowieckie Province) with the highest ratio of the number of audits conducted by the AFs based

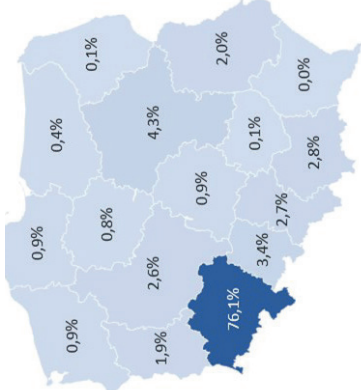
⁸ As indicated earlier in the analysis of Mazowieckie Province, the other 10 are based exactly in that province.

in Wielkopolskie Province to the number of audits commissioned by entities based in this province, i.e., 1.34 (see Table 4).

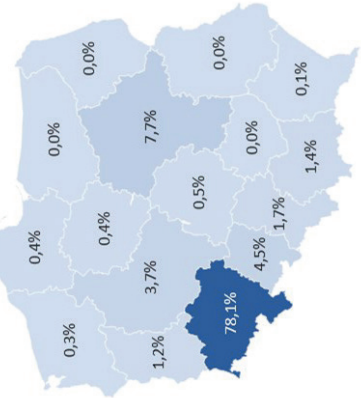
The AFs based in Zachodniopomorskie Province conducted 2.1% of the total audits conducted by Polish AFs (see Table 5). 82% of the total number of audits conducted by the AFs based in Zachodniopomorskie Province were conducted in the province (78% by the Group B AFs and 82.8% by the Group C AFs). In the neighbouring provinces, i.e., Pomorskie Province, Wielkopolskie Province and Lubuskie Province, the AFs completed more than 10% of their audits. It is worth mentioning that the Group B AFs conducted as much as 13.6% of the audits in Pomorskie Province. A significant number of audits were also conducted in Mazowieckie Province (4.2% in total, of which only 2.5% by the Group B AFs and 4.5% of the Group C AFs). In the other provinces, the AFs either did not conduct audits or the number of the audits carried out was insignificant. The ratio of the total audits conducted by the AFs based in Zachodniopomorskie Province to the number of audits commissioned by entities based in that province was 0.65 (see Table 4).

Dolnośląskie Province

AFs in Dolnośląskie Province – Group C



AFs in Dolnośląskie Province – Group B



AFs in Dolnośląskie Province

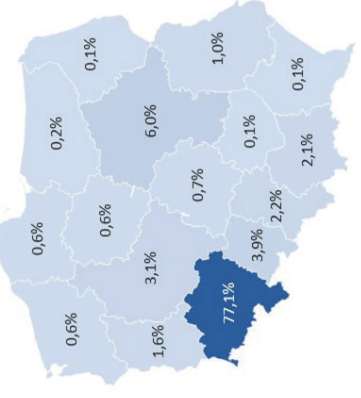
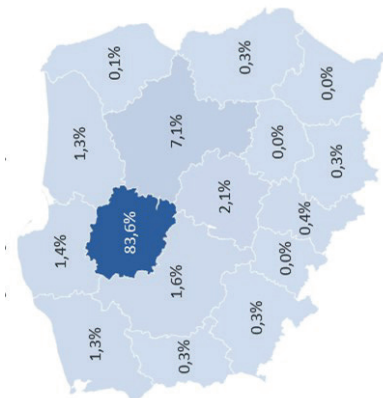


Figure 4. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Dolnośląskie Province

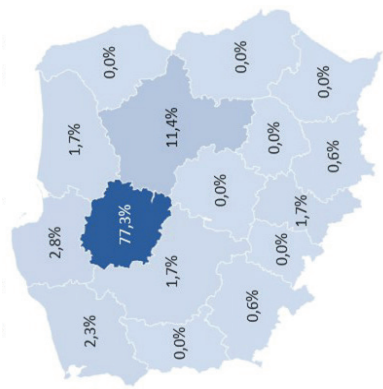
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Kujawsko-Pomorskie Province

AFs in Kujawsko-Pomorskie Province



AFs in Kujawsko-Pomorskie Province – Group B



AFs in Kujawsko-Pomorskie Province – Group C

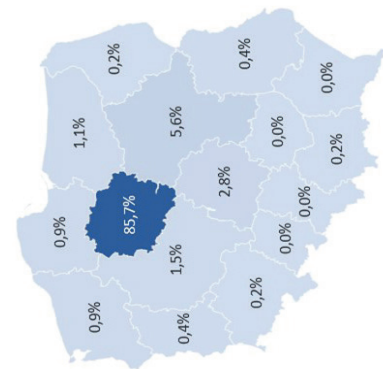


Figure 5. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Kujawsko-Pomorskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Lubelskie Province

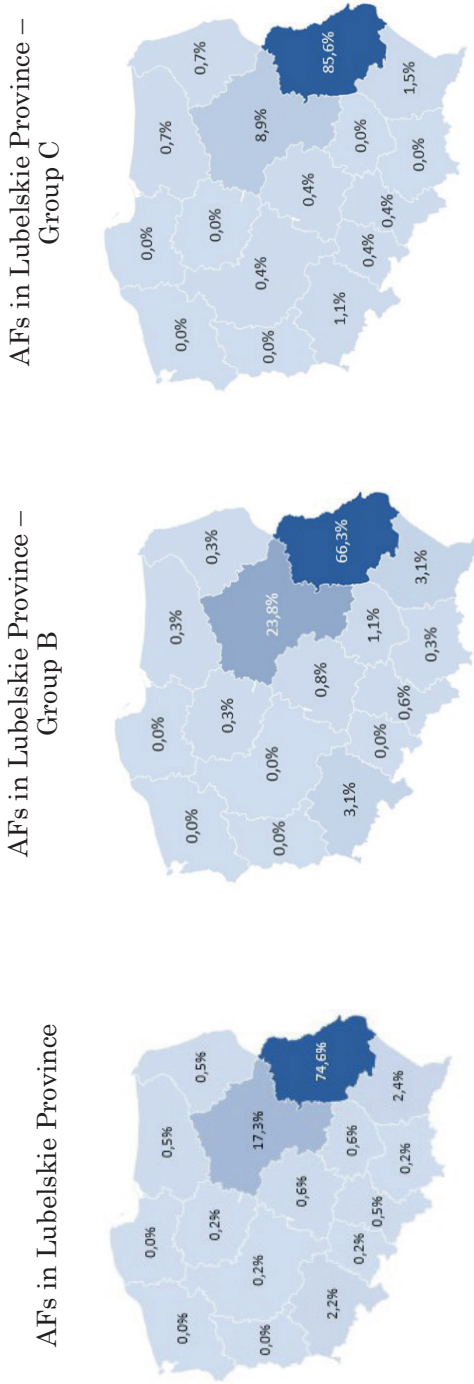


Figure 6. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Lubelskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Lubuskie Province

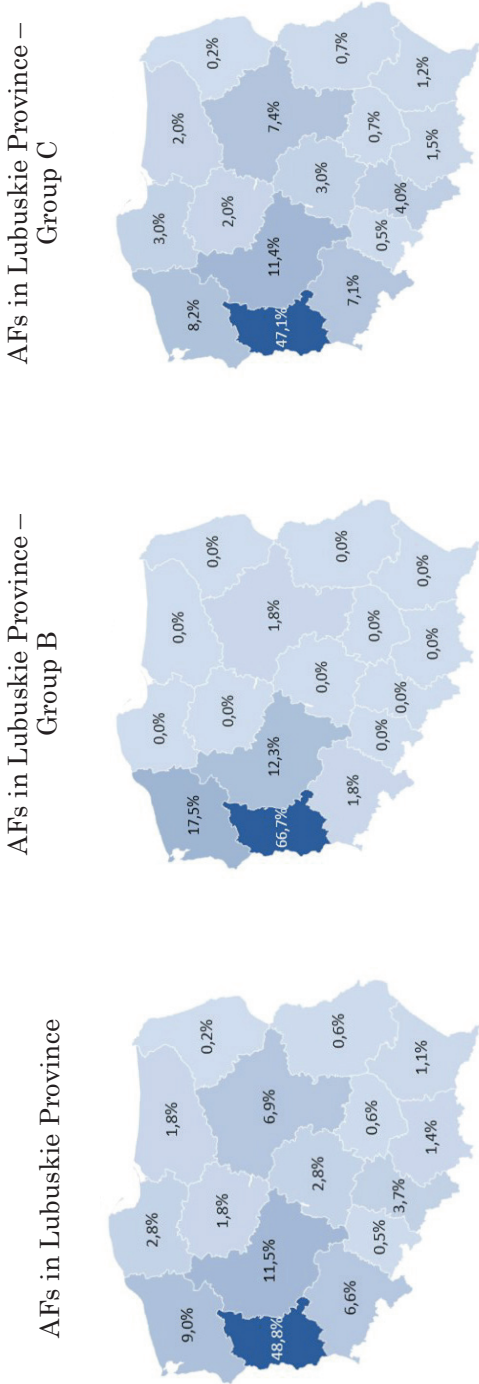
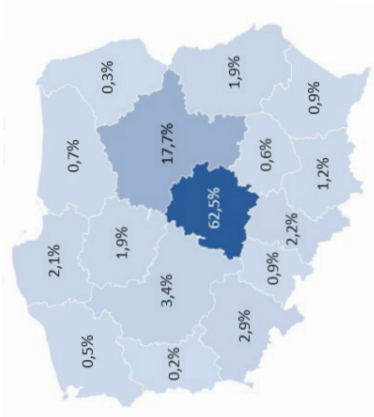


Figure 7. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Lubuskie Province

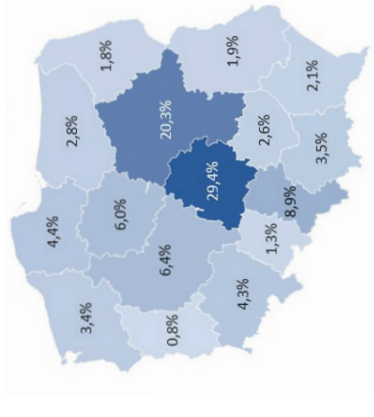
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Łódzkie Province

AFs in Łódzkie Province
– Group C



AFs in Łódzkie Province
– Group B



AFs in Łódzkie Province

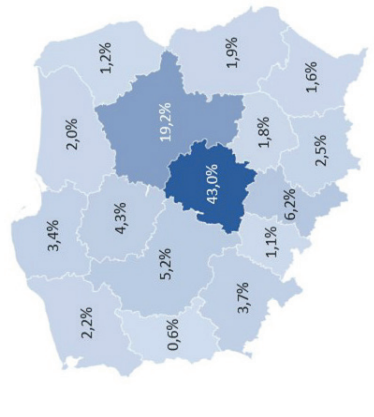
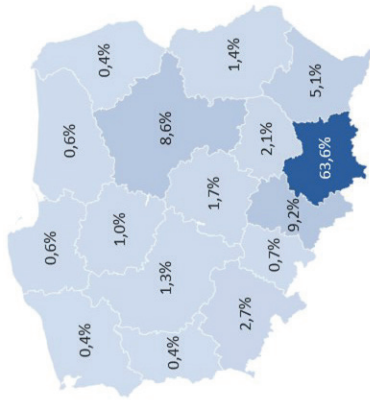


Figure 8. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Łódzkie Province

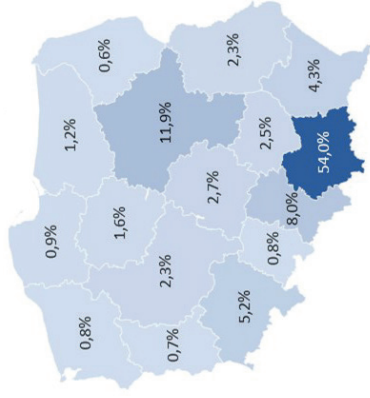
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Małopolskie Province

AFs in Małopolskie Province



AFs in Małopolskie Province – Group B



AFs in Małopolskie Province – Group C

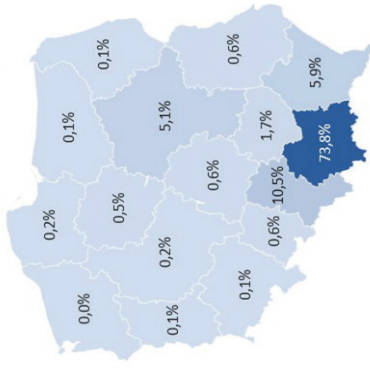
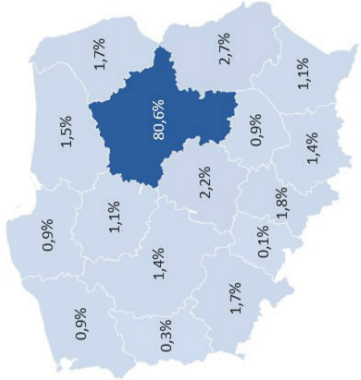


Figure 9. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Małopolskie Province

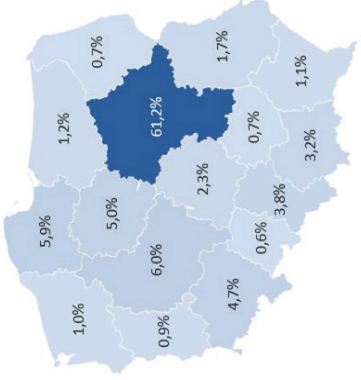
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Mazowieckie Province

AFs in Mazowieckie Province
– Group C



AFs in Mazowieckie Province
– Group B



AFs in Mazowieckie Province

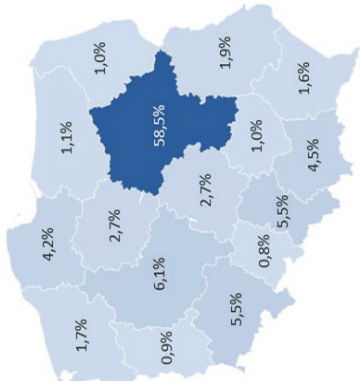


Figure 10. Concentration of audits conducted by audit firms in the province in which their registered offices are located
– Mazowieckie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

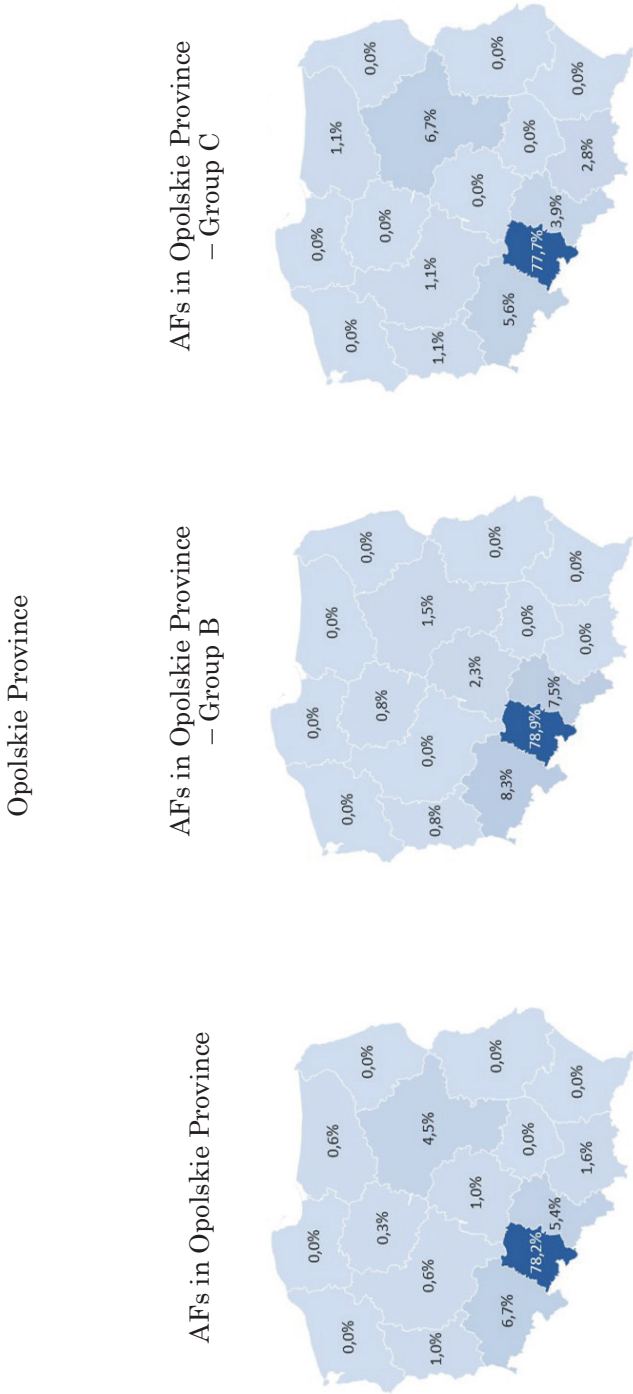
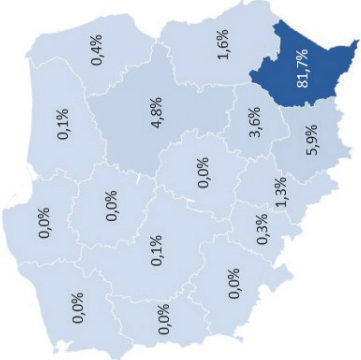


Figure 11. Concentration of audits conducted by audit firms in the province in which their registered offices are located – **Opolskie Province**

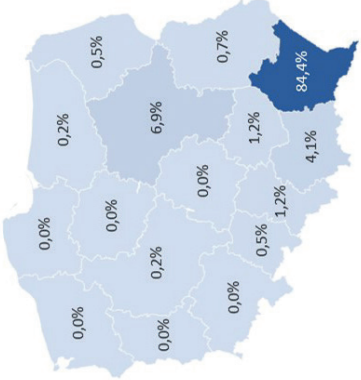
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Podkarpackie Province

AFs in Podkarpackie Province



AFs in Podkarpackie Province – Group B



AFs in Podkarpackie Province – Group C

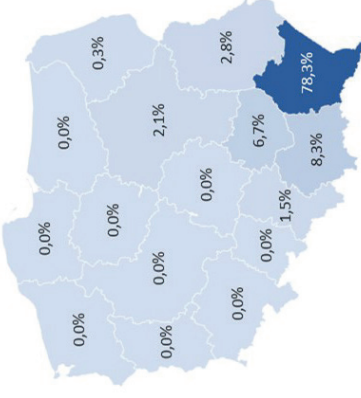


Figure 12. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Podkarpackie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight.

Podlaskie Province

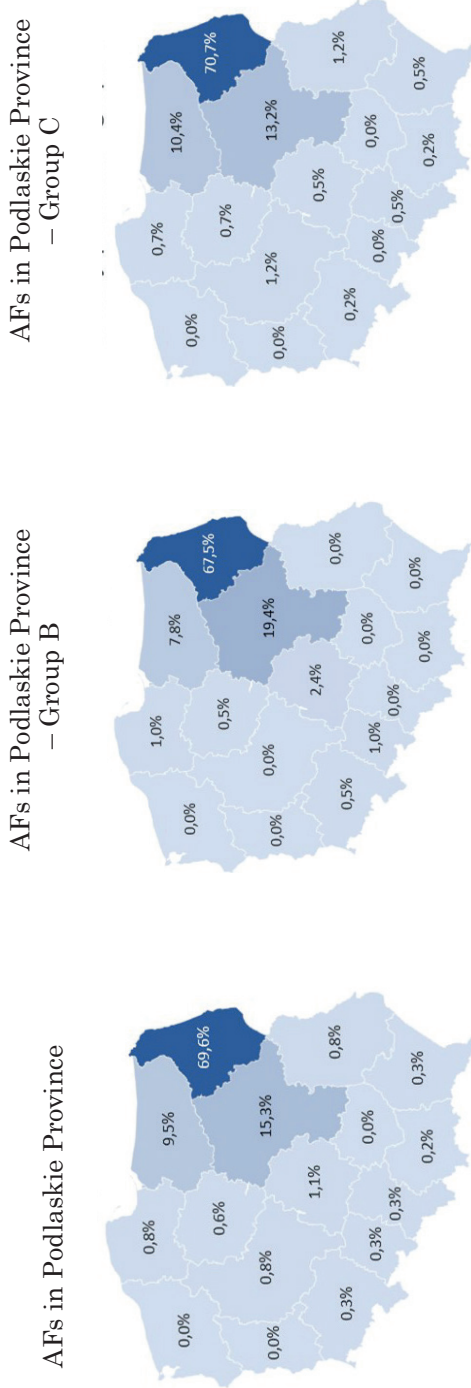


Figure 13. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Podlaskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

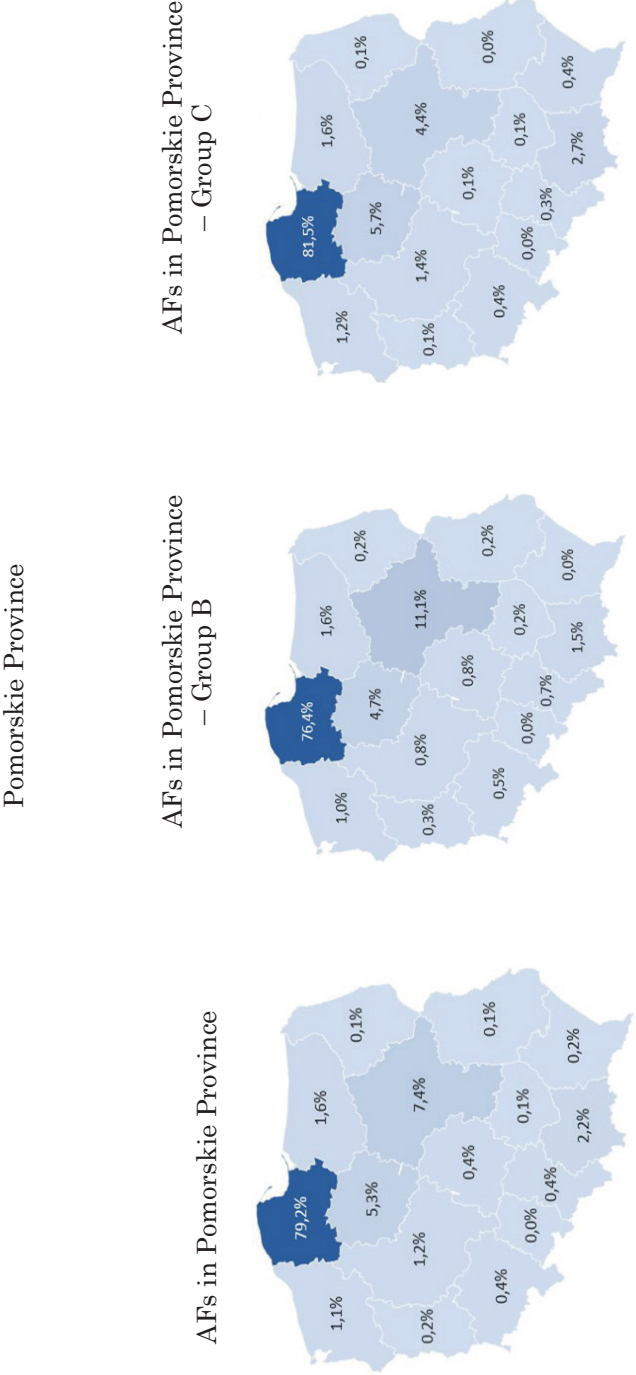


Figure 14. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Pomorskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Śląskie Province

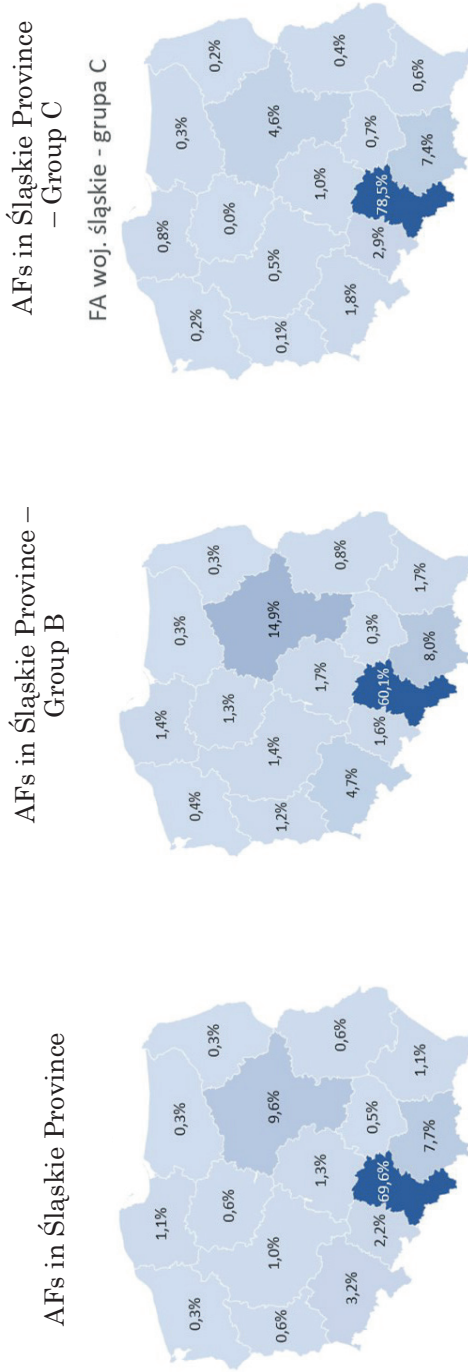


Figure 15. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Śląskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight.

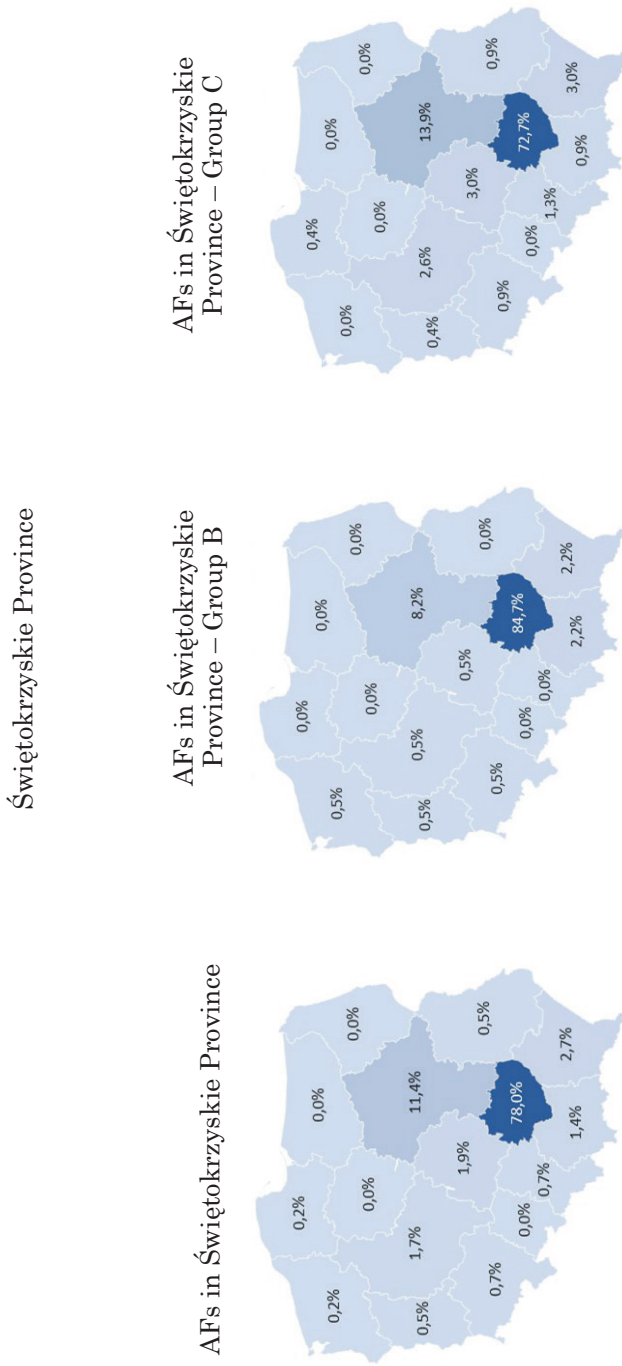
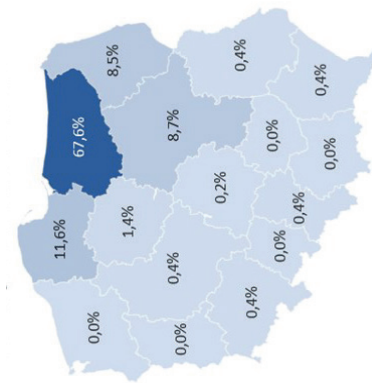


Figure 16. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Świętokrzyskie Province

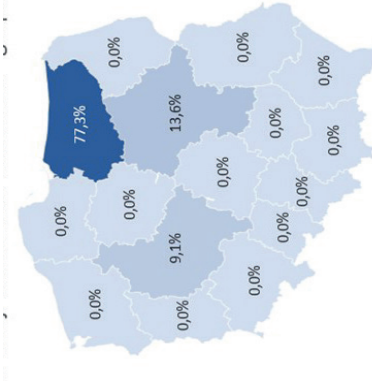
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Warmińsko-Mazurskie Province

AFs in Warmińsko-Mazurskie Province



AFs in Warmińsko-Mazurskie Province – Group B



AFs in Warmińsko-Mazurskie Province – Group C

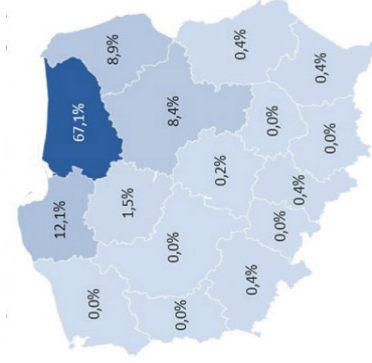
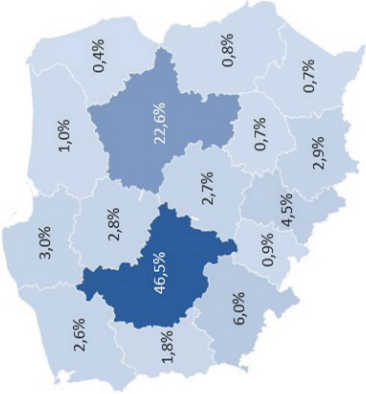


Figure 17. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Warmińsko-Mazurskie Province

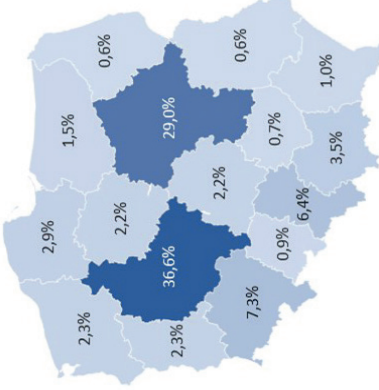
Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Wielkopolskie Province

AFs in Wielkopolskie Province



AFs in Wielkopolskie Province – Group B



AFs in Wielkopolskie Province – Group C

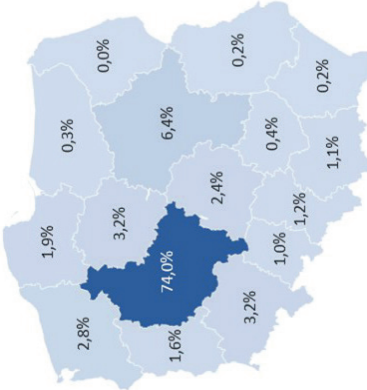
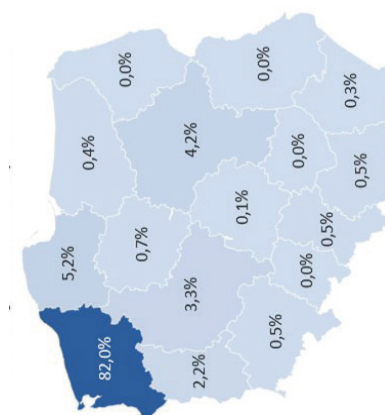


Figure 18. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Wielkopolskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Zachodniopomorskie Province

AFs in Zachodniopomorskie Province



AFs in Zachodniopomorskie Province – Group B



AFs in Zachodniopomorskie Province – Group C

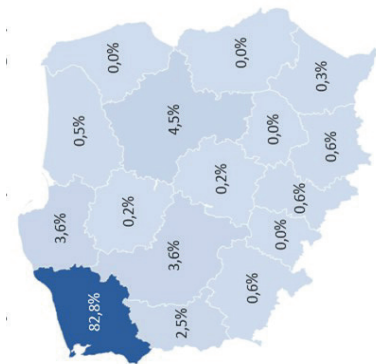


Figure 19. Concentration of audits conducted by audit firms in the province in which their registered offices are located – Zachodniopomorskie Province

Source: Own study based on the analysis of annual reports for 2022 submitted to the Polish Agency for Audit Oversight

Summary

The analysis carried out demonstrated that several regularities exist in the distribution of relations between the registered offices of audit firms and the registered office of the entities audited. The AFs based in Mazowieckie Province and Wielkopolskie Province (a significant share of the AFs from the TOP12) audit entities located throughout Poland. This is facilitated by the offices that the larger AFs have in many Polish cities. At the same time, Mazowieckie Province is the largest market in terms of the number of the entities based therein and of the audits commissioned by such entities to audit firms. The share in this market have the AFs from all over the country. At this point is worth noting that both the median price and the average price for auditing services in Mazowieckie Province are the highest in the country (Baklarz, Kreis 2023), which makes it an attractive market for the AFs from all over Poland. For the AFs based in smaller provinces, it is profitable to conduct audits in this province. At the same time, their price offers may be more attractive to the entities audited. It may also be that, in the case of statutory auditors that carry out business activities, they are more flexible and they can work in large cities without formally changing their registered offices.

The analysis also shows that the AFs, in particular, the smaller ones, conduct audits locally, that is in their own or neighbouring provinces. In the latter case, this may be due to the geographical proximity as well as the national transportation system. Large urban centres are sometimes located at the borders of provinces; therefore, entities based in neighbouring provinces are able to commission audits to be conducted by the AFs based in nearby provinces. The foregoing is also true in case of the provinces with small areas. In addition, it sometimes happens that the registered offices of the entities audited are based in locations different than the place in which their main activities are carried out (e.g., the registered office is situated in a large city and the production facilities and warehouses are located at a smaller town). In such a case, it is more advantageous for both parties to benefit from the auditing services rendered by a local entity (for the entity audited, it may be due to a lower price, and for the AF it may be due to the nearby location of the entity audited, even though its registered office is located elsewhere).

It is worth noting that the AFs based in three provinces, namely Łódzkie Province, Mazowieckie Province and Wielkopolskie Province, conduct a total of approximately 1/3 of audits more nationwide than is in total conducted in their own provinces. In order to maintain the number of audits conducted, the AFs must conduct them in other provinces. At the other extreme are Dolnośląskie Province, Opolskie Province and Kujawsko-Pomorskie Province, in which if the AFs based in these

provinces conducted only as many audits as they currently do, and conducted all of them locally, this would only satisfy between 50 and 60% of the demand for audits in these provinces (the number of audits commissioned by entities based in these provinces). Therefore, a significant number of audits were conducted by the AFs based in other provinces.

The majority of audits (for all the AFs – 61.1%, and for the Group C AFs as much as 75.5%) are conducted in the provinces in which the AFs are based. A large portion of audits is also conducted in neighbouring provinces, which may suggest that statutory auditors prefer face-to-face contact and audits conducted in person (not remotely). Some of the audit tasks can obviously be carried out remotely, which reduces costs and is less time-consuming (e.g., no time needed to commute).

In conclusion, the following can be summed up:

- audit firms with their registered offices at various locations in Poland provide auditing services to a relatively large number of entities based in Mazowieckie Province;
- ‘small auditors’ sometimes carry out their business activities at locations other than their registered offices;
- the place of business (e.g., main production facility) of some companies is situated at location other than the registered address of the entity audited;
- audit firms have local offices that provide auditing services ‘locally’, despite the fact that their registered offices are located elsewhere;
- in many provinces, the distribution of the location of large cities means that audit firms although conducting audits close to their registered offices, conduct them actually in another provinces; this is facilitated, in the case of smaller provinces, also by the relatively smaller distances to cities in neighbouring provinces; the quality of the road or rail infrastructure facilitating quick and easy access to the client is also not without significance
- in some provinces (e.g., Mazowieckie Province) the price (average or median) for auditing services is much higher than in others; audit firms based in provinces with lower prices can therefore compete more effectively in more expensive provinces;
- in three provinces (Łódzkie Province, Mazowieckie Province and Wielkopolskie Province), the demand for audit services is much lower than the capacity of audit firms – they currently approximately 1/3 of audits more nationwide than is in total conducted in their own provinces. As a result, a significant portion of such audits have to be conducted in other provinces
- In other three provinces (Dolnośląskie Province, Opolskie Province and Kujawsko-Pomorskie Province), the number of audits conducted by audit firms based in these provinces is much lower than the demand and accounts for between 50 and 60% of the audits commissioned by entities based in

their provinces. In these provinces, it is therefore necessary that audit firms from other regions conduct audits;

- the majority of audits (61.1%) are conducted in their respective provinces; a large number of audits are also conducted in the neighbouring provinces, which may suggest that the auditors prefer face-to-face contacts and audits conducted in person (not remotely).

Some of the audit tasks can obviously be carried out remotely, which reduces costs and is less time-consuming.

To sum up, the conclusions of the analysis indicate that audit firms from all over Poland audit a relatively large number of entities based in Mazowieckie Province. In many provinces, due to the distribution of the location of major cities (and available transport infrastructure, such as roads or trains of good quality), audit firms, while conducting audits close to their registered offices, actually conduct them in another provinces. Most audits are performed by audit firms in their own provinces or in the neighbouring provinces. However, audit firms established in the Mazowieckie and Wielkopolskie Provinces (primarily the TOP12 companies) audit entities all over Poland. The analysis carried out has limitations, which are primarily due to the extent of information made available to the author hereof. It is likely that it may be of relevance to the conclusions made. Nevertheless, the relevance of such information is difficult to determine without making additional in-depth information inquiries.

The limitations can be generally characterised as follows. Firstly, audit firms, in particular the largest ones, have local offices in many locations all over the country. The annual reports submitted by audit firms to PANA lack information on the office or offices that conducted the audit, and employees from different offices and shared services centres may be delegated to participate in the audits conducted. For the purposes of the analysis carried out, the auditing services provided had to be assigned to the province in which the registered office of the AF was located. Secondly, the geography of Poland (e.g., the size of provinces, the location of major cities) and differences in the development of the infrastructure in different regions may distort the notion of the 'local' provision of audit services. Thirdly, an auditor who is a person that carries out business activities can easily change the actual place of work, e.g., by travelling to a large city in search of clients (without formally changing the registered office of the company). Fourthly, the registered office of the entity audited may be different from the location at which the actual operations are carried out, i.e., warehouses or factories are situated. Fifthly, the accuracy of data in annual reports submitted to PANA.

The analysis of the issue researched, as presented herein, allows for a particular image of the audit practices in Poland to be projected, and the way they are followed has no precedent. Owing to the laborious analysis of nearly 1,000 annual reports submitted to the Polish Agency for Audit Oversight by audit firms / statutory auditors,

it was possible to outline certain aspects of the business policies followed by audit firms based in different regions of Poland. This analysis by no means exhausts the multidimensional 'recognition' of these policies. However, it may provide a stimulus for further research to be undertaken into, for example, the conditions, circumstances and rationale for changes in their 'geographic' functioning.

Such research may foster greater recognition of the way in which audit firms, not just the largest ones, in Poland operate. Given the global and existing economic conditions in the region and taking into account the development of various communication technologies, it would be interesting to repeat the research over the next decade or so.

The findings presented herein could also be an aspiration for international comparative analyses, were they carried out in different EU countries in a similar convention and simultaneously on the basis of the criteria of comparison set for these countries as universal.

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- Accounting Act of 29 September 1994, *Journal of Laws of 2023*, item 120.
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements for statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC.