

AUDIT OPINION MODIFICATIONS ON THE EXAMPLE OF WARSAW STOCK EXCHANGE-LISTED COMPANIES

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Purpose: The article aims to answer the question of how many companies received modified audit opinions, the type of these modifications, the audit firms that issued these opinions, and the matters causing the modifications resulting in ‘qualified opinions’.

Design/methodology/approach: The study covered companies listed on the Warsaw Stock Exchange Main Market. A total of 390 (out of 410) audit reports on 2023 annual financial statements of 390 (out of 410) companies were examined. Content analysis of independent auditors' reports was employed, with particular emphasis on the ‘Opinion’ and ‘Basis for Opinion’ sections.

Findings: Auditors modified their opinions in 4.6% of the analyzed population, exclusively in the case of smaller companies not included in the WIG20, mWIG40, and sWIG80 indices. The most common modified audit opinion, rendered in 2.8% of the population analyzed, was ‘qualified opinion,’ followed by ‘disclaimer of opinion’ in 1.8% of the population, with no incidence of ‘adverse opinion.’ The financial statement audits were carried out by 41 audit firms, 25% of which represented the so-called Big Four. Modified opinions were issued by 24% of the auditors. A variation in the matters causing the ‘qualified opinions’ in individual entities was observed, with the common factor of inability to obtain sufficient and appropriate audit evidence in 91% of these opinions.

Research limitations/implications: The study was limited to one year’s content of the financial statement audit reports published by listed companies on their websites. The analysis of modification-causing matters was limited to ‘qualified opinions’ only. The article provides a starting point for further empirical research, including comparative studies, particularly into the matters causing other types of modified audit opinions and the narrative style used in those opinions.

Originality/value: The article partially fills the research gap in empirical studies on modified audit opinions, within the context of Polish stock exchange-listed companies' financial statements, providing a practical study of disclosures leading to the issuance of ‘qualified opinions’.

Keywords: modified audit opinion, qualified opinion, adverse opinion, disclaimer of opinion.

Category of the paper: Research paper.

1. Introduction

In accordance with Poland's National Standards on Auditing (Polish: Krajowe Standardy Badania, KSB) and the International Standards on Auditing, independent auditors are tasked with formulating opinions on financial statements and clearly expressing those opinions in their audit reports. These opinions serve as a key element building the credibility of financial-statement information, particularly significant for publicly traded companies. They are perceived as a reliable source of company performance information for all stakeholders (Nurhidayah et al., 2024). A reliable assessment, based on professional judgment, contained in the opinion, is of extraordinary value to both the entity and users of the information it provides (Wielgórska-Leszczynska, 2010).

As noted by Qiong and Rahmat (2024), “[an] audit opinion gives specific evaluation results regarding the audited financial statement, which serves to reduce information asymmetry among stakeholders [...]”. Furthermore, it provides a synthetic assessment of financial statement reliability that can be heeded by entity stakeholders, with its content relevant to the entity's survival (Nurhidayah et al., 2024). Modifications to the opinion can trigger significant market consequences, affecting stock valuation, investment risk perception, or capital allocation decisions, and thus an entity's ability to obtain financing. The type of opinion issued is not only of key significance, as it represents a major factor determining stakeholders' assessment of financial statement reliability and regulators' ability to monitor listed companies, but also considerably shapes the approach of listed companies to the management of matters requiring disclosure in financial statements (Qiong, Rahmat, 2024). “Qualified opinion is highly significant for building stakeholder confidence, ensuring transparency in financial reporting [...]. It also contributes to continuous improvement and more informed decision making [...]” (Simões, Carvalho, 2024, p. 18). This conclusion likewise applies to other modified opinions, i.e., ‘adverse opinions’ and ‘disclaimers of opinion’.

The aim of the article is to answer the question of how many Warsaw Stock Exchange (WSE) Main Market-listed companies were issued modified auditor's opinions on their financial statements, what types of modifications were involved, which audit firms submitted the said opinions, and what matters prompted the modifications resulting in qualified opinions. These considerations are of vital relevance, as investors and stakeholders rely on auditors' opinions in forming judgments regarding companies, and utilize these opinions as substantial guidance in their decision-making (Qiong, Rahmat, 2024). To accomplish the article's objective, an analysis of independent auditors' reports on the 2023 annual financial statements of WSE Main Market-listed companies was conducted. The content analysis of auditors' reports was carried out in a breakdown into: the largest, medium-sized, and small entities included in the WIG20, mWIG40, and sWIG80 indices, respectively, alongside other entities (GPW Benchmark Indices, 2023). Examined was whether independent auditors issued modified

opinions or not, while identifying the entities that issued these opinions. For modified opinions, the type of modification was determined. Additionally, analyzed were the disclosures of matters to which the reservations referred. The study covered 390 (out of 410) independent auditors' reports on the audit of financial statements of 390 companies (out of 410 companies). The study was divided into two stages. The first stage of the empirical research was aimed at identifying which and how many companies received modified opinions on their financial statements, which auditors issued these opinions, and what types of modified opinions were involved in individual cases. The second stage was aimed at determining what matters caused the modifications resulting the qualified opinions issued by the auditors.

The following research methods were employed in the study: a review of legal regulations, analysis of source literature, in-depth analysis of independent audit reports on company financial statements, followed by logical induction and synthesis to refine the research conclusions.

Empirical research on auditors' opinions, with respect to financial statements of WSE-listed companies, is relatively scarce. The majority of empirical studies in the field of audit opinions draw upon developed capital markets, including the US market. As Lu (2020) notes, numerous factors affect auditors' opinions, and studies of these diverse factors are bound to generate different conclusions, due to varying national conditions and research perspectives. Therefore, the Author's intention in the present study is to contribute to partially filling the research gap in current empirical research on modified opinions, in the context of financial statements of Polish stock exchange-listed companies. The article also provides a practical study of disclosures concerning the matters triggering the issuance of qualified opinions. The results obtained in the study may serve as a starting point for further analysis.

The article is divided into two parts: a theoretical part presenting the subject of independent auditor's opinion, with particular emphasis on modified opinion, against the backdrop of legal regulations and publications by selected authors, as well as an empirical part covering the methodology and two stages of the study. It concludes with a summary of the main findings, indicating the limitations and directions for possible future research.

2. Review of the Literature and Legal Regulations

In accordance with Poland's National Standards on Auditing (NSA) and the International Standards on Auditing (ISA), the purpose of an audit is to increase the level of intended users' confidence in the financial statement, achieved by the independent auditor expressing an opinion on whether it has been prepared, in all material respects, in conformity with the applicable financial reporting framework (KSB 200 in the wording of ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with

International Standards on Auditing”, para. 3). A similar position has been taken by Ruban and Hațegan (2022, p. 679), who concluded that “the auditors' reporting of opinions based on a high level of professionalism contributes to increasing stakeholders' confidence in the company's financial statements and activities”. The literature on the subject presents the view that an independent auditor's opinion is of high significance to the capital market and shareholders, serving “as a powerful monitor tool [that] could influence the decision of investors and other stakeholders” (Tian, Xin, 2017, p. 266).

In light of the NSA and ISA, the objective of the auditor is both to formulate an opinion on the financial statement based on an assessment of the conclusions drawn from the audit evidence obtained and clearly express that opinion in a written report, (KSB 700 (Z) in the wording of ISA 700 (Revised) “Forming an Opinion and Reporting on Financial Statements”, para. 6). According to paragraph 16 of the National Standard on Auditing 700 (Z), if the auditor concludes that the financial statement has been prepared, in all material respects, in conformity with the applicable financial reporting framework, he/she expresses an unmodified opinion. If, however, the auditor concludes that, based on the audit evidence obtained, the financial statement, as a whole, contains material misstatements, or is unable to obtain sufficient and appropriate audit evidence to conclude that the financial statement, as a whole, is free of material misstatements, he/she modifies the opinion (KSB 700 (Z), para. 17).

Modification of opinions has been regulated by NSA 705 (Z) in the wording of ISA 705 (Revised) “Modifications to the Opinion in the Independent Auditor's Report”. This standard defines three types of modified opinions: ‘qualified opinion’, ‘adverse opinion’ and ‘disclaimer of opinion’. The types of opinions, categorized into modified and unmodified, are presented in Figure 1.

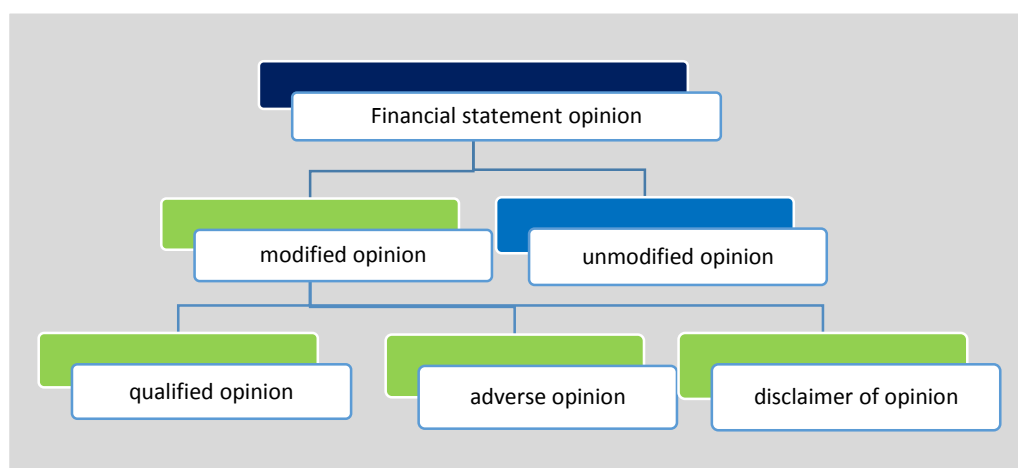


Figure 1. Types of independent auditor's opinions on financial statements.

Source: Own elaboration based on National Standard on Auditing 705.

According to the provisions of NSA 705 (Z), the auditor issues an appropriate modified opinion on the financial statement depending on specific circumstances (paras. 7-10):

- a ‘qualified opinion’ – when misstatements, individually or in aggregate, are material but not pervasive (based on sufficient and appropriate audit evidence), or when the possible impact of any undetected misstatements could result in material but not pervasive consequences (inability to obtain sufficient and appropriate audit evidence);
- an ‘adverse opinion’ – when misstatements, individually or in aggregate, are both material and pervasive (based on sufficient and appropriate audit evidence);
- a ‘disclaimer of opinion’ – when the possible impact of any undetected misstatements could entail both material and pervasive consequences (inability to obtain sufficient appropriate audit evidence), or when, in the presence of multiple uncertainties, expression of an opinion is precluded due to the potential interaction of these uncertainties and the possible cumulative effect thereof (despite obtaining sufficient and appropriate audit evidence for each of these uncertainties).

The standard also regulates the form and content of an auditor's report in the event of a modified opinion. The auditor adds the words ‘qualified’, ‘adverse’ or ‘disclaimer of opinion’ to the section headers ‘Opinion’ and ‘Basis for Opinion’, depending on the type of modification. Detailed regulations regarding the content of the ‘Qualified Opinion,’ ‘Adverse Opinion’ and ‘Disclaimer of Opinion’ sections are contained in paragraphs 17, 18 and 19 of NSA 705 (Z), respectively. The required content of the ‘Basis for Opinion’ comprises, inter alia: a description of the matter causing the modification, a description and quantification of the financial impact with respect to the misstatements (including quantitative disclosures), an explanation of how the qualitative disclosures have been misstated, and, in the absence of disclosures, inclusion and description of the missing information. In the case of both an ‘adverse opinion’ and a ‘disclaimer of opinion,’ the standard requires the auditor to describe the reasons and effects of any other matters of which he/she is aware, necessitating the modification of the opinion.

Furthermore, according to the NSA and ISA, the ‘Emphasis of Matter’ paragraph featured in audit reports refers to matters “of such importance that it is fundamental to users’ understanding of the financial statements”, while the ‘Other Matter’ paragraph references matters that are “relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report (KSB 706 (Z) in the wording of ISA 706 (Revised) “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report”, para. 7). Despite the importance of these paragraphs, opinions containing such, yet for reasons other than those indicated in the respective paragraphs not classified as modified opinions, are considered unmodified opinions under the NSA and ISA.

As an additional note, worth mentioning is that WSE-listed companies are required to present the management board's position along with the supervisory board's opinion on the auditing firm's opinion in their report, in the event of a modification of the opinion. The report should specify the impact of the modification on the financial statement, both quantitative and qualitative, along with an assessment of the significance of this impact (Regulation of the Minister of Finance on current and periodical information published by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent, 2018, 2025).

In the literature on the subject, audit opinion-related issues have been studied by numerous authors who have analyzed these aspects from various perspectives. This topic has been explored both through literature studies and empirical research. Scholars have reviewed the literature on, *inter alia*, auditor's opinion (Tian, Xin, 2017; Lu, 2020; Nurhidayah et al., 2024) and modified opinions (Matonti et al., 2024; Tommasetti et al., 2018; Simões, Carvalho, 2024). Researchers also delved into the impact of various specific factors on the likelihood of a modified opinion issuance (Habib, 2013; Moazedi, Khansalar, 2016; Tommasetti et al., 2018; Ruban, Hațegan, 2022; Matonti et al., 2024; Qiong, Rahmat, 2024; Simões, Carvalho, 2024), as well as studied the market response to different types of audit opinions (Tahinakis, Samarinas, 2016; Cipriano et al., 2016; Tian, Xin, 2017; Carp, Georgescu, 2019; Moțoc, 2022), including exploration of the economic consequences from the textual information contained in audit opinions (Zhao, Lin, 2015). Matonti et al. (2024) analyzed the relationship between intellectual capital and the occurrence of a modified audit opinion, based on a study of publicly traded companies in Greece, Italy, Spain, and Portugal. They furthermore reviewed the literature on factors influencing the occurrence of modified opinions, using the classification applied in an earlier meta-analysis by Habib (2013), in which two broad categories of determinants were distinguished: auditor- and audit-specific variables, as well as firm-specific variables. Overall, the authors concluded that the existing published studies have provided empirical evidence that the factors described in their literature review may contribute to the likelihood of a modified audit opinion (see Matonti et al., 2024). The literature review they presented referenced, *inter alia*, the aforementioned meta-analysis conducted by Habib (2013), covering 73 studies published worldwide between 1982 and 2011. Simões and Carvalho (2024) conducted a comparative analysis of the main conclusions from studies on the determinants of qualified/modified auditor's opinion issuance in the privately owned and state-owned sectors. The results are presented in a summary table containing a list of the variables studied, with indication of the derived direction of the impact thereof on the auditor's opinion (see Simões, Carvalho, 2024, pp. 6-7).

As part of empirical research on Polish listed companies, identification of the determinants of WSE-listed companies' receipt of opinions other than unqualified, and determination of the directions of the impact thereof on the probability of receiving such opinions, were addressed by Włodarczyk and Białek-Jaworska (2018). Conclusions concerning the audit services market were also published by Grant Thornton - an entity authorized to audit financial statements - in a report entitled "Audyt spółek giełdowych w Polsce" (eng. Audit of listed companies in Poland) (2025). This analysis, in accordance with the study's subtitle, focused on the market of independent auditors who audit the financial statements of Warsaw Stock Exchange-listed companies. The report is based on a limited number of observations, however, due to the lack of available data at the time of the analysis, which raises doubts as to the validity of comparing its results with those of the present study. Moreover, the results presented in the study on the opinions issued by independent auditors are difficult to comment on due to the lack of a detailed description of the research methodology underlying the conclusions and the unclear, according to the author, classification of opinions applied in the report. Unlike the present publication, the authors of the aforementioned report failed to address the matters that prompted the modifications resulting in 'qualified opinions.' Analysis of independent auditors' opinions on the financial statements of listed companies was also addressed in a work by Wielgórska-Leszczyńska (2008), covering 1407 financial statements for the years 2001-2006.

As noted by Lu (2020, pp. 34-35), "[a]t present, there are two ways to divide audit opinion in the research of audit opinion [...]. [O]ne is to take standard unqualified audit opinion as standard audit opinion, the other is non-standard audit opinion. This is also the method adopted by most of the literature [...]. The second is to define the type of unqualified audit opinion as the standard unqualified audit opinion and the unqualified opinion with emphasis, and the rest as the non-standard audit opinion". The inconsistency in the categorization of audit opinions has also been called attention to by Qiong and Rahmat (see 2024), as well as Simões and Carvalho (see 2024, pp. 3-4). The diversity of the classifications adopted by researchers may pose difficulties in study comparisons. In the present article, the subject of empirical research is modified opinions, as defined in the NSA and ISA. Accordingly, opinions from 'Emphasis of Matter' or 'Other Matter' paragraphs, insofar as they have not been classified as modified opinions for reasons other than those indicated in these paragraphs, constitute unmodified opinions, and are presented as such in the results of the empirical study.

3. Empirical Research Methodology

The results presented in the article follow from the content analysis of independent auditors' reports on the financial statements of WSE Main Market-listed companies. Analyzed were the audit reports on the annual financial statements for 2023 and, in cases of a fiscal year not corresponding to the calendar year, for the fiscal year beginning in 2023 and ending in 2024.

The analysis concerned in particular the content of two sections of the auditors' reports on the audit of company financial statements: the 'Opinion' section and the 'Basis for Opinion' section. In cases of consolidated financial statements, audit reports on consolidated financial statements, and audit reports on separate financial statements otherwise, were analyzed.

Out of 410 entities listed on the Main Market of the Warsaw Stock Exchange as of March 6, 2025, 390 were included in the analysis of auditors' reports on the audit of financial statements. The remaining 20 entities were excluded from the analysis:

- 2 entities debuting on the Warsaw Stock Exchange in 2024 and 2025,
- 18 companies, due to non-publication of financial statement audit reports on company websites.

In the first stage of the study, analyzed was whether a modified auditor's opinion was issued or not, while identifying the entity conducting the financial statement audit. In cases of a modified opinion, the type of opinion was analyzed, i.e., whether the opinion consisted of a 'Qualified Opinion', an 'Adverse Opinion', or a 'Disclaimer of Opinion' on the financial statement. The study was conducted by dividing the companies into four groups, taking their stock exchange index qualification into account: WIG20 - comprising the 20 largest entities, mWIG40 - comprising 40 medium-sized entities, sWIG80 - consisting of 80 small companies, and a group of other entities not included in the above-specified indices. In this step, the content of audit reports was analyzed, with particular emphasis on the header and the text of the 'Opinion' section.

In the second stage, reports with 'qualified opinions' issued by the auditors were examined, analyzing the matters that prompted the modifications resulting in the issuance of such opinions. For this purpose, content analysis of audit reports was employed, with particular focus on the 'Opinion' and 'Basis for Opinion' sections.

A total of 390 auditor reports on the audit of 2023 financial statements of 390 companies were examined:

- 20 companies comprising the WIG20 index,
- 39 entities included in the mWIG40 index,
- 79 entities included in the sWIG80 index,
- 252 companies not included in the above-listed indices.

The research material was collected utilizing the Warsaw Stock Exchange website and company websites.

4. Research Results

In the first stage of the study, identifying whether or not the auditors issued modified opinions, the analysis of the audit report content, with particular focus on the “Opinion” sections, revealed that out of the 390 companies examined, modified opinions on financial statements were issued by the auditors in 18 cases. In regard to the remaining companies, the auditors concluded that no opinion modification was required in the audit reports (Table 1).

Table 1.

Confirmation of the occurrence of modifications to independent auditors' opinions on the audited companies' financial statements

No.	Occurrence of modifications to auditor's opinion	Number of companies
1.	Yes	18
2.	No	372
3.	Total	390

Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

The financial statements of all 390 companies were audited by auditors representing 41 entities authorized to audit financial statements. In 94 companies, the audits were conducted by companies from the so-called Big Four. One report was audited by two auditing companies. The number of opinions, in distribution by the entities that audited the financial statements, is presented graphically (Figure 2). The audit firms that audited fewer than four financial statements are grouped in the chart under the item ‘other,’ whereas the legend data is ordered by the number of opinions issued, starting with the entity which issued the most.

Modified opinions were issued by auditors from 10 audit firms, i.e., 24% of the entities conducting the audits. Figure 3 shows the number of modified opinions in distribution by entities that audited the financial statements.

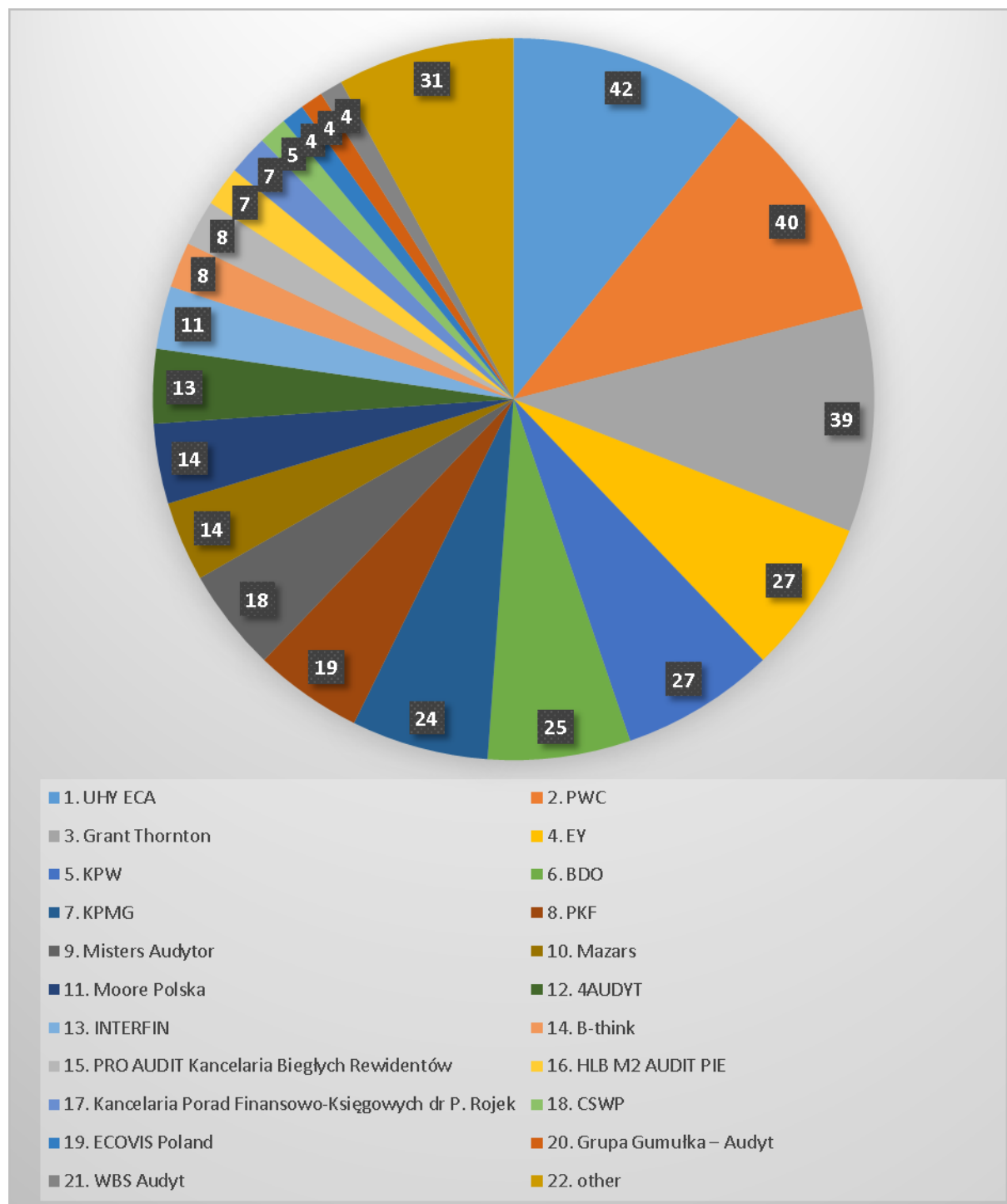


Figure 2. Number of opinions - in distribution by audit firms conducting the financial statement audits.
Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

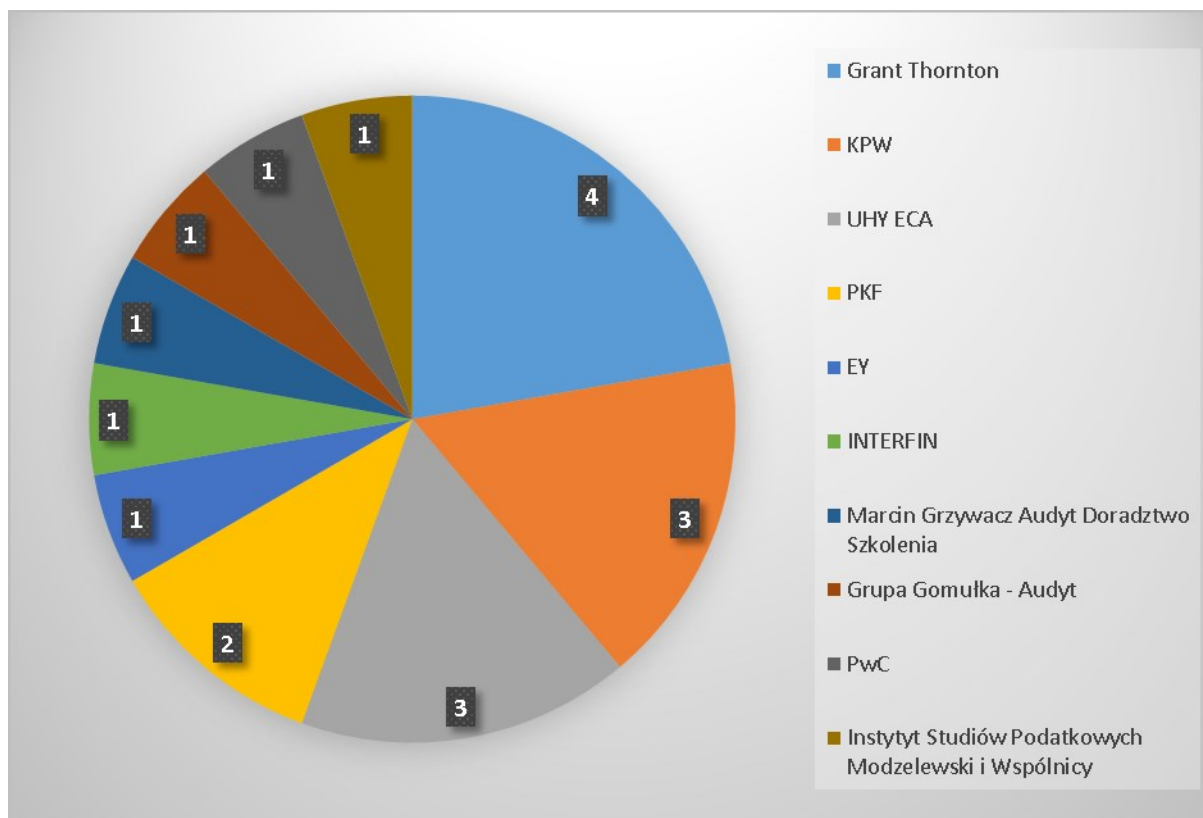


Figure 3. Number of modified opinions - in distribution by audit firms conducting the audit of financial statements.

Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

The share of modified opinions in the total number of opinions issued by a given auditing firm that issued more than 10 opinions is presented in Table 2.

Table 2.

Share of modified opinions in the number of opinions issued by a given auditing firm – entities with more than 10 opinions issued

Name of auditing firm	UHY ECA	PWC	Grant Thornton	EY	KPW	BDO	KPMG	PKF	Misters Auditor	Mazars	Moore Polska	4AUDYT	INTERFIN
Percentage share of modified opinions in the number of opinions issued by the audit firm	7.1	2.5	10.3	3.7	11.1	0	0	10.5	0	0	0	0	9.1
Number of modified and unmodified opinions issued by the audit firm	42	40	39	27	27	25	24	19	18	14	14	13	11
Number of modified opinions issued by the audit firm	3	1	4	1	3	0	0	2	0	0	0	0	1

Note: The data is sorted from left to right, according to the number of opinions issued, starting with the entity that issued the most opinions.

Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

Based on the analysis, no modified auditor's opinions have been identified in the case of financial statements of the WIG20, mWIG40, and sWIG80 stock-index companies. Modified opinions were found exclusively in relation to the financial statements of other entities not included in the above-listed stock indices. Furthermore, the results of the presented study do not incorporate 'qualified opinions,' in cases of companies which, after receiving and then publishing their financial statements inclusive of such opinions, corrected those statements and republished them with a subsequent audit report replacing the previous one, containing no modification of the opinion.

The empirical analysis resulted in a three-group classification of modified opinions based on the type of modification: 'qualified opinions,' 'adverse opinions,' and 'disclaimers of opinion' on financial statements, as presented in Table 3.

Table 3.

Modifications to independent auditors' opinions on the financial statements of audited companies, in distribution by type of modification

No.	Type of modification to auditor's opinion on financial statement	Number of companies
1.	Qualified opinion	11
2.	Adverse opinion	0
3.	Disclaimer of opinion	7
4.	Total	18

Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

Table 2 shows that the most prevalent modified opinion was a 'qualified opinion,' with no instances of an 'adverse opinion' issued for any of the companies. The type of opinion modification in the respective companies is presented in Table 4.

Table 4.

Types of modification to independent auditors' opinions on financial statements in individual companies

Type of modification to auditor's opinion on financial statement	Company Name																	
	AB NOVATURAS	ADIUVO INVESTMENTS	AIRWAY MEDIX	BALTIC BRIDGE	CDRL	CFI HOLDING	DELKO	EC BĘDZIN	EKO EXPORT	ESOTIQ & HENDERSON	EUROPEJSKIE CENTRUM ODSZKODOWAŃ	GI GROUP POLAND	KERNEL HOLDING	KSG AGRO	MANYDEV STUDIO SE	PBG	RAFAKO	TOWER INVESTMENTS
Qualified opinion	1	1	1	0	1	0	1	0	0	1	0	1	1	1	1	0	0	1
Adverse opinion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disclaimer of opinion	0	0	0	1	0	1	0	1	1	0	1	0	0	0	0	1	1	0

Note: (1) confirms the occurrence of a given type of modification, (0) indicates the absence of a given type of modification.

Source: Own elaboration based on independent auditors' reports on the audit of companies' financial statements.

In the second stage, auditors' reports with 'qualified opinions' were examined. Analysis of the content thereof, with particular focus on the 'Opinion' and 'Basis for Opinion' sections, enabled identification of the matters that prompted the modifications resulting in the issuance of qualified opinions.

Out of 11 'qualified opinions', in 10 the auditors stated that the modification resulted from the inability to obtain sufficient and appropriate audit evidence. The wordings "except for the possible effect of the matter(s)" (6 audit reports), "za wyjątkiem skutków sprawy" (eng. except for the effects of the matter) (4 audit reports) were used in the 'Opinion' sections, in reference to the matters described in the 'Basis for Qualified Opinion' sections. In the case of one audit report, the 'Opinion' section did not include any words referring to the section justifying the 'qualified opinion'. Due to the variation in the reasons for issuing a 'qualified opinion', the matters to which the qualifications applied are presented below in a grouping by company and the corresponding audit reports.

In the 'Basis for Qualified Opinion' section of the first audit report, the auditor singled out prepayments to suppliers and trade payables, relative to the group's and company's data. They identified significant differences in the sample of prepayment balance statements, which showed lower amounts than those presented in the financial statement. Moreover, no balance statements were received for the indicated prepayment amounts and trade payables. The auditor was unable to obtain sufficient and appropriate audit evidence regarding the impact of these matters, if any, on the current year, and comparative data on the prepayment balances and trade payables in the statement of financial position, including the related impact of adjustments that may be required, relative to statements of comprehensive income, changes in equity, and cash flows for the current period, or comparative financial information.

In the second audit report, the justification for the issuance of a 'qualified opinion' mentioned the amount of surplus from the sale of shares above their nominal value, presented by the capital group, and the fact that, in the comparative data for the previous year, the parent company consolidated a subsidiary, over which it lost control during the year under review. The auditor did not express an opinion on the completeness and accuracy of the disclosures regarding both of these matters and the possible impact on other elements of the financial statement, as they did not obtain adequate and sufficient audit evidence confirming the aforementioned part of equity and the subsidiary's financial data for the year under review and the preceding year.

In the case of the third company, the 'qualified opinion' referred to a liability arising from a bond-secured loan. The auditor did not, however, obtain adequate and sufficient audit evidence confirming the collateral and contingent liabilities in connection with this loan. Neither did they obtain audit evidence of information regarding possible financial instruments in the accounts maintained by the bank. They therefore did not express an opinion on the completeness and accuracy of the additional information in this regard, nor on the possible impact on other elements of the financial statement.

In the fourth audit report, the justification for issuing the ‘qualified opinion’ stated that the management board had recognized the effects of the actual loss of control over the Belarusian company in the consolidated financial statement, using the most recent available data for the three quarters of the year under review, but the data had not been audited at the end of the third quarter. The auditor was unable to obtain adequate and sufficient audit evidence confirming that the valuation of the assets and liabilities held by the company over which control was lost of the date of the loss of control, and the company’s revenues and costs up to the date of the loss of control, required no adjustments, and thus that the capital group's result on the loss of control had been determined correctly. A possible adjustment would not affect the capital group’s consolidated net result.

In the fifth audit report, the auditor based his ‘qualified opinion’ on the inability to confirm whether the company’s goodwill presented as of the last day of the audited year in the consolidated financial statement was disclosed in the correct amount. They did not obtain sufficient audit evidence to confirm the acquirer's valuation of identifiable acquired assets and assumed liabilities at their fair value as of the acquisition date.

In the justification for issuing a ‘qualified opinion’ of the sixth audit report, the auditor noted that the company had failed to measure the shares of its subsidiary and the receivables from that company in accordance with IAS 36, and had neglected to create provisions for retirement benefits in accordance with IAS 19. As a result, other financial assets as well as trade receivables were overstated, provisions were understated, and consequently, the net financial result was overstated. The auditor provided the amounts by which the above items were understated and overstated.

In the case of the seventh audit report, the auditor concluded that a ‘qualified opinion’ had already been issued for the previous year. They stated that the consolidated financial statement for 2020 accounted for the effects of the loss of control over one company and its capital group, using the group's latest available data for the first three quarters of 2020, disclosing the equity method adopted to measure its shares in subsequent periods. The financial results of the said group for Q4 2020, 2021, and the period from January 1, 2022, to the date of sale of the aforementioned company's shares on January 19, 2022, were not included in the Capital Group's financial results, due to non-receipt of data from the aforementioned group. The group's data for the last day of the third quarter of 2020 were not audited. The auditor was unable to obtain appropriate and sufficient evidence confirming that the valuation of the group's assets and liabilities, as of that date, required no adjustments. Due to the lack of data, they were not able to estimate the possible impact on the comparative data in the consolidated financial statement for the current financial year, nor the Capital Group's share in the results of this group for the fourth quarter of 2020, 2021, and the period from January 1, 2022, to the date of sale of the aforementioned company's shares on January 19, 2022.

In the eighth audit report, the auditor stated in the 'Basis for Qualified Opinion' section that the group had sold all its crypto assets in the previous financial year, disclosing the loss on the sale and citing the amount of the loss. At that time, no sufficient appropriate evidence was obtained to verify the opening balance of the crypto assets at the beginning of the previous year, and the transactions on crypto assets during the previous year. It was therefore not possible to determine whether adjustments to the crypto asset balances at the beginning of the previous year or adjustments to the losses on transactions in crypto assets in the previous year were necessary. The audit report for the year preceding the year under review contained reservations on this matter. The opinion for the current financial year likewise contains a qualification due to the possible impact of this matter on the comparability of the current-period data with the corresponding data.

In the ninth audit report, the auditor referred to several matters in the justification for issuing a 'qualified opinion.' The carrying amount of property, plant, and equipment at the end of the period covered by the audit included an amount attributable to prior-year adjustments that was not assigned to any specific property, plant, and equipment items. The auditor was unable to obtain sufficient appropriate audit evidence as to whether this accounting entry was justified, and was not able to determine the impact of this matter on the financial statement. This resulted in a 'qualified opinion' also for the previous financial year. Determination of whether year-end profit and retained earnings needed to be adjusted was likewise not possible. Moreover, the management board was unable to provide calculations supporting the recognized right-of-use assets and related lease liabilities. The auditor disclosed the amounts of assets from the right of use of the leased plots and the lease liabilities recognized as of the last day of the year under review, as well as the depreciation amounts of the right-of-use assets and lease interest, the accuracy of which he was unable to confirm. The management board also retrospectively adjusted the inventory amounts as of the last day preceding the audited year, thereby increasing the opening inventory for the year under review. The board made no adjustments to the amounts recognized in the financial statement, however. The auditor was not able to verify the correctness of the inventory adjustment in estimating its maximum value. Nevertheless, they were unable to determine whether any adjustments to the cost of sales were necessary.

In the case of the tenth company, the 'basis for qualified opinion' included an indication that the auditor did not obtain adequate and sufficient audit evidence confirming the value of cash at the last day of the year under review, nor any audit evidence regarding information on possible financial instruments in the accounts maintained by the bank. Accordingly, they did not express any opinion on the completeness and accuracy of the additional information in this regard, and the possible impact on other elements of the financial statement.

The auditor's justification for issuing a 'qualified opinion' in the case of the eleventh company referred to the amount of the company's goodwill presented for the last day of the audited year. As of the date of the audit report issuance, no sufficient and appropriate audit evidence had been gathered to confirm the value of the item. The impairment tests received

were found to be insufficient. The auditor also stated that this area may be subject to significant value distortion.

5. Conclusion

The objective in the present article was to determine how many Warsaw Stock Exchange Main Market-listed companies received modified auditor's opinions in the independent audit reports on their financial statements, the types of modifications made, the auditing firms that effected such modifications, and the matters covered by the qualifications in the opinions issued by the auditors. This objective was achieved by analyzing the content of the auditors' reports on the audit of the 2023 annual financial statements of WSE Main Market-listed companies. The research resulted in a practical study of disclosures in the modified opinions issued during the period under analysis, with particular emphasis on 'qualified opinions.'

The analysis of empirical data revealed that out of the 390 companies under study, in 18 cases the auditors modified their opinions in the independent audit reports on the companies' financial statements. Modified opinions thus accounted for 4.6% of the opinions covered by the analysis, which indicates that, in the auditors' judgment, 95.4% of the financial statements in the studied population required no modification of the opinion. The modifications only applied to the financial statements of smaller companies, i.e., not included in the WIG20, mWIG40 and sWIG80 indices, occurring exclusively in the case of the group of other entities not included in the above-named indices. The results of the study show that the most frequently issued modified opinion was 'qualified opinion', identified in the case of 11 entities, i.e., 2.8% of the population under study. 'Disclaimers of opinion' were issued by the auditors in the case of 7 audit reports, i.e., 1.8% of the opinions analyzed. No 'adverse opinions' were found. Qualified opinions' thus accounted for 61.1% and 'disclaimers of opinion' for 38.9% of the modified opinions covered by the study. Content analysis of the auditors' reports found that the financial statements of 390 companies were audited by 41 audit firms, including 94 companies audited by the Big Four, which reviewed 24% of the reports. Modified opinions were issued by 10 entities authorized to audit financial statements, i.e., 24% of the entities conducting the audits. In the group of audit firms which issued more than 10 opinions, the share of modified opinions in the number of opinions issued by a given entity ranged from 0% to 11.1%, while in the group of the so-called Big Four firms the range varied from 0% to 3.7%. Furthermore, the results of the study indicate a diversity of the matters causing the modifications resulting in the issuance of 'qualified opinions'. In the case of 10 out of the 11 companies, representing 91% of the 'qualified opinions', the auditors concluded that sufficient and appropriate audit evidence could not be obtained. Recurring matters causing modifications in the form of 'qualified opinions' involved matters concerning the recognition

of effects of a loss of control over a company in the financial statements of three companies, and the inability to confirm the amount of goodwill value in the case of two companies. Other matters justifying the issuance of a 'qualified opinion' varied among individual entities. Moreover, in the case of three entities, the 'basis for qualified opinion' included information that the audit report for the year preceding the year under review likewise contained a qualification regarding the very same matter as in the audited year.

One interesting benchmark in time, in the Author's assessment, seems to lie in a comparison of the results obtained with the findings of the study on auditors' opinions on 2001-2006 financial statements published under the editorship of Wielgórska-Leszczynska (2008). According to the results of that analysis, modified opinions at the time accounted for 10.87% of the opinions examined, while 89.13% of the financial statements required no modifications to the opinion. In parallel, 10.66% of the analyzed opinions constituted 'qualified opinions', and 0.21% comprised 'disclaimers of opinion', while audit firms from the so-called Big Five and subsequently from the Big Four examined 31% of the reports (Wielgórska-Leszczynska, 2008, pp. 88-89, 102).

Concluding, it should be noted that the present study carries several limitations. The findings presented in the article apply only to the audit reports included in the analysis. Firstly, the analysis covered exclusively the content of Warsaw Stock Exchange-listed companies' financial statement audit reports. Secondly, the analysis was limited to the audit reports for 2023 available on the Warsaw Stock Exchange and company websites. Thirdly, due to editorial limitations, cases resulting in an opinion other than a 'qualified opinion' were not examined in detail. Furthermore, as mentioned earlier, the literature on the subject shows "no consensus regarding the concept and delimitation of the scope of qualified and modified opinion" (Simões, Carvalho, 2024, p. 4), and the inconsistency in the categorization of audit opinions (Qiong, Rahmat, 2024; Simões, Carvalho, 2024) may limit the comparability of studies, including the present study. The method of audit opinion classification employed in the article has been therefore defined precisely. Opinions contained in the 'Emphasis of Matter' or 'Other Matter' paragraphs, insofar as they were not classified as modified opinions for reasons other than those indicated in these paragraphs, were classified as unmodified opinions and presented as such in the results of the empirical study. Worth noting is also that the Author is nonetheless aware these paragraphs carry content relevant and even fundamental to the understanding of the financial statements, and may serve as a subject for further empirical research. Important to mention is likewise that the article employs only the content analysis method of independent auditors' reports. This limited the study to the perspective of specific auditors issuing modified opinions on specific financial statements. Neither the market's reaction nor the company management boards' or other auditors' responses to these opinions were examined, which could involve other research methods, including surveys.

The article may provide a starting point for further empirical research, including comparative studies covering subsequent periods. The Author plans to conduct research on matters underlying such modification as the issuance of a ‘disclaimer of opinion,’ which will constitute a continuation of the considerations raised in the present article. Another area of interesting analysis seems to lie in the narrative style used by auditors when formulating opinions. This has been confirmed, inter alia, by Zhano and Lin, who noted that “[...] investors may differentially treat modified opinions by textual tone, suggesting that text conveys additional information apart from that conveyed by figures, which makes the information content of audit opinions more than just a dichotomy of [0&1]” (2015, p. 42). In the Author’s opinion, the analysis conducted in the present study allows for the formulation of a hypothesis worth testing in future empirical research, stating that impression management techniques are also used by auditors in modified opinions on financial statements, including those published by Warsaw Stock Exchange-listed companies.

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