

Abstract

The thesis deals with the audit regulation in the Czech Republic. The main goal is to assess whether this regulation helps to increase the auditor independence and to maximize the audit quality and to discuss a possible further development in this field. In its first part the thesis analyzes the relationship between the auditor and its clients and identifies possible threats for auditor independence and audit quality. Next part discusses the possibilities of minimizing the risk of these threats by both market forces and by interventions of a regulatory body. The final part of the thesis concentrates on the audit regulation in the Czech Republic. Based on the evaluation of existing law and rules three major shortcomings are identified: (i) the audit quality rules and standards are not effectively enforced and nonobservance of these rules is not appropriately sanctioned, (ii) insufficient rules for auditor switching concerning both selection of auditor by the client and barriers to auditor dismissals and (iii) insufficient monitoring of auditors from financial statement users. The thesis then proposes measures for improvement of the current situation taking into account the recently adopted EU audit legislation.