



Article

The readability of international illustration of auditor's report: An advanced reflection on the compromise between normative principles and linguistic requirements



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ARTICLE INFO

Article history:

Received 30 January 2014
Received in revised form 18 February 2015
Accepted 23 February 2015

Keywords:

Auditing
International auditors' reports
ISA 700
Content of audits
Understandability
Readability and determinants of legibility

ABSTRACT

The independent auditors periodically publish reports that summarize the audit results. These reports reinforce the financial communication and reliability of accounting information. International Standards on Auditing (ISA) determine the content of audit reports and the quality of audit results. Theoretically, the audit standardization must model intelligible and clear reports for readers. Compliance with linguistic principles contributes to the improvement of the structure of audit reports. In practice, the effectiveness of these reports is criticized because users do not understand the audit information. In order to improve the content of audit reports, International Federation of Accountants (IFAC) had revised International Standards on Auditor's report: ISA 700: Forming an opinion and reporting on financial statements. Linguistically, standardized audit reports could be unreadable by many users of financial statements. This article discusses the linguistic problems related to the preparation of reports. This discussion focuses on the audit reports which are illustrated by the International Standards on Auditing. The results show that in the presence of conflicting requirements (auditing standards versus linguistic principles), independent auditors must optimize the presentation of their reports.

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Legibilidad de la ilustración internacional de los informes de auditoría: una reflexión avanzada sobre el compromiso entre los principios normativos y los requisitos lingüísticos

RESUMEN

Los auditores independientes publican periódicamente informes que resumen los resultados de la auditoría. Dichos informes refuerzan la comunicación financiera y la fiabilidad de la información contable. Las Normas Internacionales de Auditoría (NIA) determinan el contenido de los informes de auditoría y la calidad de los resultados. En teoría, la estandarización auditora debe modelar unos informes que sean inteligibles y claros para los lectores. El cumplimiento de los principios lingüísticos contribuye a la mejora de la estructura de los informes de auditoría. En la práctica, se critica la efectividad de dichos informes porque los usuarios no comprenden la información auditora. A fin de mejorar el contenido de estos informes, la Federación Internacional de Contables (IFAC) ha revisado las Normas Internacionales sobre Informes de Auditoría, ISA 700: Establecimiento de una opinión y reporte de informes financieros. Lingüísticamente, los informes de auditoría podrían resultar ilegibles para muchos usuarios de informes financieros. Este artículo trata sobre los problemas lingüísticos relacionados con la elaboración de los mismos. Dicho tratamiento se centra en los informes de auditoría que son ilustrados por las Normas

Palabras clave:

Auditoría
Informes internacionales de auditoría
ISA 700
Contenido de la auditoría
Comprensión
Legibilidad y determinantes de la legibilidad

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Internacionales sobre Auditoría. Los resultados reflejan que en presencia de requisitos conflictivos (normas de auditoría frente a principios lingüísticos), los auditores independientes deben optimizar la presentación de sus informes.

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1. Introduction

Independent auditors prepare periodic reports that communicate several audit information. Audit professionals produce texts that summarize the work of control and audit results. Several empirical studies have shown that the reports of the independent financial auditors are not understood by many readers of the financial statements (Barnett & Leoffler, 1979; Hay, 1998 and Fakhfakh, 2013). In addition, accounting research has discussed the problem of expectation gap which results from the misunderstanding of the significance and the direction of the audit opinion formulations. This misunderstanding was empirically confirmed by several studies that underlined the interpretations heterogeneity of the accounting reports by the internal and external stakeholders (Holt & Moizer, 1990; Gonthier, 1996; and Hatherly, Innes, & Brown, 1997).

Readability of audit reports is a language feature that determines the quality of financial information. As a linguistic measure, readability tests the performance of the written information and the effectiveness of instruments of financial communication. Previously, we published an article that focuses on the readability of audit reports in Tunisia. Furthermore the subject of comprehensibility, we analyzed the length of the reports of the independent auditors. The same article shows that the Tunisian audit reports do not comply with the linguistic formulas including readability indexes.

The incompleteness of previous research leads us to perform a more advanced study. The deepening of this study supports the assessment of professional competence and the development of communication skills. The imperfection of previous research leads us to achieve a new empirical investigation. This investigation requires detailed measurement of the length of the audit reports.

Audit quality reporting influences the interpretation of financial statements. The number of audit information is a factor explaining the behavior of users of financial statements (managers, owners, employees, institutional investors, financial institutions, government, general mass and media). Investors reacted with understandable reports (Fakhfakh, 2013). The length of audit reports is a sign of informational relevance.

The length of the auditors' reports can be seen as a characteristic that determines the relevance of the financial audit (Zeghal, 1999). Large reports are considered as a source of information that reassures users of financial statements (Hatherly et al., 1997). Periodically, these users require relevant and reliable audit information. The synthesis of audit information is based on international standards on auditor's report. This standard provides several illustrations that model the report of the independent auditor. Despite standardization efforts, the linguistic quality of the illustrations could be questioned (Fakhfakh, 2014).

Linguistically, the structure of audit reports must comply with the qualitative principles that develop financial reporting. Conceptual frameworks for financial accounting stipulate that the accounting information should refer to the qualitative characteristics of financial statements (such as comparability, objectivity, utility, and understandability). Linguistic analyzers provide several formulas that measure the comprehensibility of audit reports. Such analyzes will be imperfect when structural characteristics will be neglected (length, lexical richness, clarity). The credibility of

linguistic analysis enforces the reliability of statistics that summarize the structure and the text size.

Towards the obligations of compliance with auditing standards and language requirements, the independent auditors must optimize the quality of audit reports. This optimization requires the minimization of the informational constraints that hamper performance audit reports. In this article, we analyze the organization of audit reports standardized by the International Federation of Accountants. The detailed study of these reports allows measuring the length of audit information. Such a measure is necessary for the detection of determinants of the incomprehensibility of audit reports.

The organisation of this paper is as follows: after the introduction, there is an overview of conceptual framework for the readability of auditing information. The third section provides an analysis of normative requirements about the wording of the reports of the independent auditors. The fourth section focuses on the linguistic performance of the reports standardised by the International Federation of Accountants. This section describes the methodology and the sample used in the empirical study. The fifth section analyses the importance of compromise between the principles of auditing and linguistic rules. The sixth section discusses the implications of research findings. This section is devoted to drawing the main conclusions.

2. Linguistic framework for the wording of auditor's report

2.1. The linguistic requirements for the structure of auditor's report

With regard to the structural efficiency of audit reports several linguistic norms governing the organization and the formal presentation of the corpus. More specifically, the attention of all analyzers is given to the length of reports and their components (word length, the size of sentences and paragraphs).

The word, as a component of sentences is the core text. The word consists of a sequence of graphic characters which form a semantic unit. The number of characters is a reliable measure of the word length. The classification of words (short words, means words, long words) is influenced by readability statistics that show the average lengths. The word length reflects the degree of difficulty of reading. Beyond 9 letters, words will be judged illegible (Table 1.1).

The number of syllables is also a measure of word length. When the number of syllables is high, the word length will significant. Beyond three syllables, the word is considered complicated. The plurality of syllables reflects the level of complexity of words (Table 1.2). All readability formulas consider the word length. Word size is a variable that affects the comprehensibility of texts and communications performance.

Sentence length is a criterion of readability. It indicates the syntactic and semantic difficulty of the text. Most readability formulas are based on the length of phrases. The length of the phrases that can be measured by number of words can predict the degree of difficulty of reading (Table 1.3).

The texts are more readable when sentences are short. Conversely, a text is more difficult if the sentences are long. In addition, short sentences determine the thematic coherence. According to linguistic research, the length of sentences is considered an index of quality of written texts. Reducing the size of the sentence promotes

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