THE READABILITY OF STANDARDISED REPORTS BY THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

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Abstract *The International Federation of Accountants has revised several standards that standardize audit reports. The objective of these revised standards is to improve financial reporting. So the purpose of this paper is to examine the readability of reports which have been standardised by three International Standards on Auditing (ISA 700, ISA 705 and ISA 706). The Measurement of the understandability of reports is achieved in terms of the linguistic characteristics of standardised reports wording. The results show that the standardised audit reports are not fully readable. These reports do not fulfill their informative function for all users of financial statements. Our investigation discusses the information value of reports published by ISA and the implications for the Stakeholders.*

Keyword: *IFAC, ISA, Audit Reports, Readability, Determinants of Understandability*

INTRODUCTION

In 2009, the International Federation of Accountants (IFAC) issued two revised standards for independent auditor's report (ISA 700: Forming an opinion and reporting on financial statements and ISA 705: Changes to the opinion in the independent auditor's report). The revision of the independent auditor's report aimed to improve communication between preparers and users of audited financial information.

Unquestionably, the effectiveness of the audit report is largely influenced by understanding of the users of financial statements. It is generally accepted that this understanding is conditioned by the level of readability of audit reports. The ambiguity of the auditor's report is a bad signal to readers of audited financial statements. It promotes the misinterpretation of information and intensifies the Expectation Gap in auditing.

Auditing performance requires the perfect writing of audit reports which are formulated on the separate and consolidated financial statements. The quality of audit reports is the result of the interaction of several factors that contribute to the perfection of financial reports. Among these factors, we can include :

- the use of clear and simple language;
- the adoption of best written communication skills;
- the choice of writing style understandable to most users of information;
- optimizing the use of linguistic rules and principles of writing.

The measurement of readability of the IFAC's reports and analysis of their linguistic features were not studied previously. The majority of researches inherent in the International Standard on auditor's reports focused on:

- the study of the applicability of the standard report of IFAC;
- the extent of international (or Continental) harmonisation of auditors' reports, and
- the compliance level to the principles of international standard ISA700.

Currently, the evocation of readability of IFAC's reports is very important to research on accounting and financial practice. These reports which are modeled by ISAs have spread internationally to meet the needs of multinational corporations, international financial markets and large auditing firms. With the spread of ISA 700 and ISA 705, the debate on the performance reports of IFAC is always activated.

This article discusses several issues related to efficiency and understandability of the reports published by the International Federation of Accountants. Specifically, this paper focuses on the following points:

- the description of the linguistic models of independent auditor's report;
- measuring the readability of the reports illustrated by the International Standards (ISA 700, ISA 705 and ISA 706);
- analysis of factors influencing the comprehensibility of IFAC's reports.

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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 second section provides an analysis of the impact of harmonisation by the International standards on auditing and the optimization of auditors' reports. The third section provides a background discussion of previous research on the readability of auditor's report. The fourth section focuses on the linguistic performance of the reports normalized by the International Federation of Accountants. This section describes the methodology and the sample used in the empirical study. The fifth section present and analyse the determinants of comprehensibility of IFAC's reports. The sixth section discusses the implications of research findings. This last section is devoted to drawing the main conclusions.

CONCEPTUAL FRAMEWORK FOR THE READABILITY OF AUDITING INFORMATION

The multinational and the national companies issue periodic financial statements to inform economic, financial and commercial partners. Several authors indicate that the texts do not fulfill their financial informational functions. This imperfection of communication results from the use of a difficult language.

The quality of language used in financial documents is a necessary condition for optimizing text reading. The independent auditors must adapt their written reports to the context of financial reporting. As a first recommendation, issuers of texts should consider the reading skills of the documents of users (Taylor, 1953).

The Independent Auditors Reports must be written in clear and understandable language. The intelligibility of audit reports requires the compliance with the linguistic principles which are applied to reduce the ambiguity of communication.

The linguistic study of audit reports is justified by the ambition to meet the common financial information needs of a wide range of users. The lack of literature which is related to the readability of audit reports encourages further investigation.

Communication skills put together several explicit and specific tools to share information among multiple users. The current development of these tools has inspired researchs that focus on information technology and cybernetics.

Communication techniques contain several linguistic principles that facilitate the transmission (and reception) of messages. These principles, which are developed by specialist groups, seeking to convey messages couched in plain language. Communication skills are taught in many academic fields. For the speciality of accounting, these techniques serve as a training guide for accountants and auditors. As preparers of future reports, the independent auditors are encouraged to master the language rules.

Throughout the writing of reports, the independent auditor must overcome several problems that could reduce the intelligibility of audit results. To minimise the difficulties of understanding, the auditor should consider the capacity of readers. The choice of plain language (including vocabulary) is required when the audit report contains unfamiliar concepts by Stakeholders.

Audit reports, which include mostly technical terminology, are heavily involved in optimising the use of communications technology. This optimisation is necessary to meet the needs of users of financial statements. Specifically, users want the audit reports to be clear, accurate and complete.

Minimising the complexity of the audit reports is among the concerns of independent auditors. The simplification and understandability of audit opinions can facilitate the interpretation of the financial statements.

The readability of audit reports is a key parameter for the understandability of financial information. According to the linguistic literature, there are several principles that facilitate the reading of texts. The majority of these principles are concerned with several elements such as syntax, vocabulary, semantics, and typography. These elements are usually combined to determine readability.

The Definitions of Readability

Readability is a fundamental characteristic that is always stipulated in writing techniques and theories of communication. This characteristic is a principal component of Text Analyzer Tools. Most texts analyzers display several statistical indicators that measure the readability of documents.

Linguistic literature offers a multitude of definitions for readability and its meanings. These definitions are made by several authors and experts who continuously work on the theme of comprehensibility.

According to DuBay (2004), readability is what makes some texts easier to read than others. It is often confused with legibility which concerns typeface and layout. Klare (1963) defines readability as the ease of understanding or comprehension due to the style of writing. This definition focuses on writing style as separate from issues such as content, coherence, and organisation.

Table 1: Overview of linguistics requirements in relation to the formulas of readability

Readability formulas	Linguistic criteria			
	Average sentence length	Complex words	Average word length	Number of sentences
Flesch-Kincaid Test	yes	yes	No	No
Gunning fog index	Yes	Yes	No	No
Automated Readability Index	Yes	No	Yes	No
SMOG Index	No	Yes	No	Yes
Flesch Reading Ease	Yes	No	Yes	No

In a similar manner, Hargis et al. (1998) state that readability is the ease of reading words and sentences and is an attribute of clarity. McLaughlin (1969) defines readability as the degree to which a given class of people finds certain reading matter compelling and comprehensible. This definition stresses the interaction between the text and a class of readers of known characteristics such as reading skill, prior knowledge, and motivation.

Readability is the ease in which text can be read and understood. It incorporates a set of factors that interact to provide ease of understanding of print.

The Measures of Legibility (The Readability Formulas)

Readability research has resulted in the development of formulas to estimate the relative success of comprehension of written messages without requiring the reader to actually read it and be tested.

The first aim of the formulas readability was to develop practical methods to match reading materials with the abilities of students and adults. These efforts centered on making easily applied readability formulas that teachers and librarians could use.

Historically, the first readability formulas were proposed by researchers in reading [Lively and Pressey (1923), Washburne and Vogel (1926), Gray and Leary (1935)]. These formulas have been developed and used in several areas: education, industry and the military. These measures assist the publication of texts and predict the readability of documents.

The linguistic experts have proposed several formulas that measure the ease of reading such as the Flesch Reading Ease. Other researchers have developed formulas to predict the level of education for understanding.

The Flesch Reading Ease is a statistical measure of redability. This test rates text on a 100 point scale and use the following formula : 206.835 - (1.015 * words per sentence) - (84.6 * syllables per word). In the same Flesch test, higher scores indicate material that is easier to read. Lower numbers mark harder-to-read passages.

Other mathematical formulas were developed by scientists to determine the school grade level needed to understand the texts. The most commonly used formulas are:

- Flesch-Kincaid Grade level ;
- Gunning-Fog Score ;
- SMOG Index ;
- Automated Readability Index ;
- Averaged Grade Level ;

These formulas consider a number of factors like average word length or number of characters per word (number of characters divided by the number of words), average sentence length in words or average number of words in sentence (number of words divided by the number of sentences), average number of sentences, average number of syllables per word (the number of syllables divided by the number of words), and the count of the «complex» words (those with three or more syllables). Table 1 display an overview of linguistic parameters used in theses formulas.

THE IMPACT OF HARMONISATION BY THE INTERNATIONAL STANDARDS ON AUDITING AND THE OPTIMISATION OF AUDITORS' REPORTS

Currently, the tasks of the international auditing standardisation are the work of the International Federation of Accountants. This organisation follows a process which aims at aligning the current audit practices and limiting any total, rigid and absolute standardisation of the existing revision rules.

The IFAC currently gathers national professional organisations of accounting experts and rests on other regional organisations. It was founded in October 1977 following an agreement signed by 63 accounting organisations which represent 49 countries. Its objective is

to develop and reinforce the profession of accountants with harmonised standards. To achieve this goal, the council of the IFAC constituted the International Committee of the Practices of Audit. This Committee was replaced with the Institute of Auditing and Assurance Standards Board.

The IFAC has worked on the revision of the IAG. It estimates that the existing normative unit represents a whole set of reference standards for the contractual audit and statutory revision (Roussey, 1996).

At the normative level, the IFAC made publications, which define their proposals concerning the harmonisation of the accounts reports. Among these proposals, it is necessary to quote the International Standards on Auditing 700, 705 and 706.

The Impact of Harmonisation by the International Standards on Auditors' Reports

The efforts made in the international harmonisation of the audit report and which have lead to the publication of the international standard (ISA 700, previously IAG 13) make testimony of the efforts made for the achievement of an international consensus of the auditing opinion.

The international standard of auditor's report initially appeared in October 1983 in the form of an international recommendation for audit (IAG 13). Its objective was to bring recommendations to the model of auditing opinion. Its publication aimed at harmonising the audit approach and setting a common reference for accountants' work.

The standard report recommended by the IAG 13 was not long and comprised several formal elements. From the auditing opinion, the international recommendation stipulates that the opinion expressed by the certified accountant can be an unqualified opinion, a qualified opinion, an unfavourable opinion and a disclaimer of opinions. After several years of changes and improvement, International Guideline 13 was transformed into the standard ISA 700 'The Auditor's Report on Financial Statements'.

The Limitations of the Previous ISA 700 in the Normative Harmonisation of Auditor's Reports

The examination of the phenomenon of the auditing standards harmonisation has interested many research works undertaken in various contexts. Gangolly et al. (2002), consider that the study of the level of this harmonisation contributes to the study of the IFAC's members reactions to the full application of ISA 700. The majority of research, which tried to evaluate the normative harmonisation of the audit reports, underlines the existence of the significant variations between several countries.

Various studies in many countries compared national statements on auditing and international standards – ISAs (Archer et al., 1989; Bychkova and Lebedeva, 2001; Gangolly et al., 2002; Lin and Chan, 2000). These studies found several international differences in the auditing standardisation area.

Archer et al. (1989) achieved a comparative survey among 16 European standards on audit reports and guideline No. 13: 'The auditor's report on financial statements'. They noticed that, among these standards, only four standards, published in Ireland, Italy, Spain and the UK, were in perfect harmony with the international report. In the same case, the Fédération des Experts Comptables Européens (FEE) elaborated a study dealing with the comparison between European and international audit report standards. This survey showed many differences regarding, the scope paragraph of the auditor's report, the addressee, the opening paragraph, the auditor's address and the auditor's signature.

The New International Reformulation of the Audit Reports

The revised International Standard on Auditing 700 enumerates various elements related to the wording of the auditor's report on financial statements. Several elements dealing with the form of the same report are identified. These elements cover the title, addressee, the date of the audit report, the auditor's address and the auditor's signature.

In addition to form, the international standard on auditor's report prescribes five elements that relate to content. These elements serve to write the introductory paragraph, management's responsibility for the financial statements, auditor's Responsibility, auditor's opinion and other reporting responsibilities.

The International Standard on Auditing 700 deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements. The appendix provides three illustrations.

The first illustration standardises the auditor's report on financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users. The wording of this illustration would be worded in the following circumstances:

- audit of a complete set of financial statements;
- the financial statements are prepared for a general purpose by management of the entity in accordance with International Financial Reporting Standards;

- the terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210; and
- in addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

The second illustration normalizes the auditor's report on financial statements prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users. The content of this illustration would be adopted when the following circumstances are applicable:

- Audit of a complete set of financial statements required by law or regulation.
- The financial statements are prepared for a general purpose by management of the entity in accordance with the Financial Reporting Framework of Jurisdiction.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.

The third illustration is recommended for the auditor's report on consolidated financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users. The wording of this illustration is required for the following situations:

- Audit of consolidated financial statements prepared for a general purpose by management of the parent in accordance with International Financial Reporting Standards.
- The terms of the group audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- In addition to the audit of the group financial statements, the auditor has other reporting responsibilities required under local law.

The International Standard on Auditing (705) deals with the auditor's responsibility to issue an appropriate report in circumstances when the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary. The same standard provides five illustrations of auditors' reports with modifications to the opinion.

Illustrations (1) and (2) in the Appendix contain auditors' reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.

Illustration (3) contains an auditor's report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence.

Illustration (4) contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration (5) contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive.

The International Standard on Auditing (706) deals with additional communication in the auditor's report when the auditor considers it necessary to:

(a) Draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements; or

(b) Draw users' attention to any matter or matters other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

The appendix (3) provides an illustration of an auditor's report that includes an emphasis of matter paragraph. The content of this illustration would be followed when circumstances include the following:

- audit of a complete set of general purpose financial statements prepared by management of the entity in accordance with International Financial Reporting Standards;
- the terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210;
- there is uncertainty relating to a pending exceptional litigation matter;
- a departure from the applicable financial reporting framework resulted in a qualified opinion;
- in addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

PREVIOUS LITERATURE ON READABILITY OF AUDITOR'S REPORT

In reviewing the past literature, we found several researches in the areas of the annual report readability [Pashalian and Crissy (1950), Soper and Dolphin (1964), Courtis (1986), Jones (1988), Schroder and Gibson (1990) and Courtis (1995)]. The previous researches on the legibility of the standards of audit reports were not numerous. A distinction

should be made between what prior research refers to as de jure readability and de facto readability.

Literature Review on Legibility of Auditor's Report : De Jure Readability

The first study focused on the readability of international auditing standards was conducted by Zorio et al. (2011). This study (entiteled : Readability of Clarified ISAs and Explanatory Factors) is pioneer in the study of readability of auditing/accounting standards so it opens up new avenues of research in a context of high regulatory activity.

The main objective of this work is to analyse whether the Clarity Project undertaken by the International Auditing and Assurance Standards Board (IAASB) has achieved one of its objectives, i.e. to result in "readable" International Standards on Auditing. A secondary objective of this paper is to explore any explanatory many factors for ISAs readability.

Following the existing literature, the authors used the RE index , the SMOG index and the FOG index to analyse readability of the whole set of clarified ISAs. The same authors aim to identify any pattern of readability as regards the structure of standards, the audit area addressed or even the controversy generated by the standards. Correlation tests, ANOVA tests and regression analysis were used.

The results show very low readability of ISAs, according to all the readability indices applied. The authors can neither identify any clear readability trends or patterns in the structure of ISAs, apart from a decrease in readability from the objectives and definitions sections to the requirements section, nor any explanatory factors for readability (length, area covered or controversy generated by the standard)

Literature Review on Legibility of Auditor's Report: De Facto Readability

According to the accounting literature, readability research has resulted in the development of formulas to estimate the relative success of comprehension of written messages without requiring the reader to actually read it and be tested. Most studies examining the readabillity of auditor's report indicate that the audit reports are, in most cases, difficult to read. This has led some authors to investigate the efficiency of the communication based on the publication of audit reports.

In 1979, Barnett and Leoffler published an article which focused on measuring the readability of accounting and auditing messages. In this article, the readability of selected accounting and auditing messages in annual reports is measured using the Flesch Reading Ease Formula. Based upon these measurements, notes to financial statements and reports of independent auditors are found to be at unsatisfactory difficulty levels. Additionally, evidence provided indicates that the readability level of recent financial statement notes is significantly lower than that of 1969 statements.

The research achieved by Pound (1981) examined the readability audit report by application of the Flesch formula. In testing for the reading ease of Australian audit reports, Pound examined a random sample of 20 auditor's reports of publicly listed companies. He found that readers of audit reports required educational background to the university undergraduate level in order to comprehend the messages contained. This significantly limits the audience to which audit reports are understandable. Pound also found that it is likely there are individuals who possess supposedly adequate university levels of education, but who will designate different connotative meanings to words typically used within the context of an audit report. Such words (as reserve and depreciation) were cited by Pound as examples.

The paper published by Hay (1998) examined the readability of audit reports in New Zealand as one element in the communication process. The results showed that there are statistically significant differences in the readability of audit reports issued by different audit firms and by firms with different audit structures. These differences are consistent with Kaplan et al.'s proposal (1990) that audit structure is a form of market differentiation. Unstructured audit firms have adapted themselves to clients in unstable environments. The users of the financial reports are more likely to read the auditors' report, and these firms must therefore make their reports more readable. In contrast, structured audit firms are more efficient at auditing clients in stable environments. Users of the financial reports of these clients are more likely to regard auditors' reports as a symbol, and they do not need to be as readable.

Zeghal et al. (2000) studied the readability of 90 audit reports published in nine countries (Australia, Canada, the USA, UK, Germany, Belgium, France, Italy, and Japan). These reports were divided into two models : the Anglo-American model and the continental model.

The readability analysis was carried out at three levels: within the country, between countries and between the two models. Following the liguistic literature, the authors used the The Flesch formulas and Gunning Fog index to analyse readability of the whole set of auditors' reports. The authors note that the audit reports are difficult to read by users of financial statements. The results confirmed the existence of significant differences between the readability scores of reports.

Literature Review on the Length and Organisation of the Auditor's Report

Zeghal et al. (1999) examined the structure and the organisation of 90 audit reports published in nine countries. These reports were divided in two groups. The first represents the Anglo-American model, which is formed by Australia, Canada, the USA, and UK. Whereas the second group, which is concerned with the continental model, represents Germany, Belgium, France, Italy, and Japan.

The authors note that Italian and Australian reports have the most words while Germany and France present their reports with fewer words than the other countrries in this study. The results of the analysis between the countries show an average of 1.06 pages, 4.06 paragraphs, 1 introductory paragraph, 1.40 paragraphs of scope limitation, 0.91 paragraph expressing an opinion and 0.75 other type of paragraph.

The German report is the shortest while the Italian one is the longest. The order of presentation for all countries (except Belgium) is :

- Introductory Paragraph.
- Paraghraph of Scope limitation.
- Paragraph expressing an opinion.
- Other Paragraphs.

Anglo-American Reports are more uniform in terms of their organisation than their continental counterparts. Nevertheless, it is important to conclude that despite the differences, all the countries in this study (except Germany) respect the minimal requirements of the International Auditing Guideline N°13. The organisation of the auditor's report according to the length and number of paragraphs varies sufficiently between the countries to have a significant effect on its comprehension and interpretation by readers at the international level.

THE LINGUISTIC PERFORMANCE OF THE REPORTS NORMALIZED BY THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

Research Methodology and Collection Of Data

For this research, the study of linguistic features of reports issued by IFAC is assisted by a text analysis software (Text Analysis Tool). This software provides several statistics that summarise the structural features of the text : Complexity factor (Lexical density), total number of characters, average syllables per word, word length, syllable count and words phrases frequency. In addition to these detailed statistics,

Table 2: Structural characteristics and length of reports illustrated by ISA 700

Linguistic characteristics	Illustrations of Auditors' Reports		
	1	2	3
Total word count	388	350	405
Total number of characters	2638	2386	2846
Number of characters without spaces	2226	2012	2416
Number of syllabes	815	735	891
Number of paragraph	15	14	14
Number of lines	38	35	40
Number of sentences	19	18	19
Average word length (per characters)	6.80	6.82	7.03
Average word length (per syllabes)	2.10	2.10	2.20
Average sentence length (per characters)	138.84	132.55	149.79
Average sentence length (per syllabes)	42.89	40.83	46.89
Average sentence length (per words)	20.42	19.44	21.32
Average sentence length (per lines)	2	1.94	2.10
Average paragraph length (per characters)	175.87	170.43	203.29
Average paragraph length (per syllabes)	54.33	52.50	63,64
Average paragraph length (per words)	25.87	25	28.93
Average paragraph length (per lines)	2.53	2.50	2.86
Average paragraph length (per sentences)	1.27	1.29	1.36

Table 3: Structural characteristics and length of reports illustrated by ISA 705

Linguistic characteristics	Illustrations of Auditors' Reports					
	ISA 705					ISA 706
	1	2	3	4	5	1
Total word count	519	534	526	360	431	566
Total number of characters	3466	3686	3478	2371	2805	3768
Number of characters without spaces	2912	3121	2916	1987	2349	3166
Number of syllabes	1064	1154	1073	738	884	1161
Number of paragraph	17	16	16	14	15	18
Number of lines	48	50	48	35	40	57
Number of sentences	24	25	23	18	21	27
Average word length (per characters)	6.68	6.90	6.61	6.59	6.51	6.66
Average word length (per syllabes)	2.05	2.16	2.04	2.05	2.05	2.05
Average sentence length (per characters)	144.42	147.44	151.22	131.72	133.57	139.55
Average sentence length (per syllabes)	44.33	46.16	46.65	41	42.09	43
Average sentence length (per words)	21.62	21.36	22.87	20	20.52	20,96
Average sentence length (per lines)	2	2	2.09	1.944	1.90	2.11
Average paragraph length (per characters)	203.89	230.37	217.37	169.36	187	209.33
Average paragraph length (per syllabes)	62.59	72.12	67.06	52.71	58.93	64.5
Average paragraph length (per words)	30.53	33.37	32.87	25.71	28.73	31.44
Average paragraph length (per lines)	2.82	3.12	3	2.5	2.67	3.17
Average paragraph length (per sentences)	1.41	1.56	1.44	1.29	1.4	1.5

the software displays the readability score that is calculated according to Gunning-Fog Index.

Other linguistic parameters that measure the length of texts have been calculated. These indices summarize the word length, sentence length and paragraph length. To measure readability (and also the index Gunning-Fog), five other indices were calculated (Reading Ease score, Kincaid grade level, ARI index, SMOG grade level and Flesch formula).

The electronic copies of International Standards ISA 700 and ISA 705 were downloaded in order to analyse the structural characteristics of the IFAC's reports. This download has been performed from the electronic site of the International Federation of Accountants. The electronic copies of ISA 700 and ISA 705 are initially presented in PDF format. A conversion to the RTF format was necessary so that the software displays statistics of legibility and the linguistic measures.

The analysis of the used data is assisted by tests of statistical inference. These statistical tools are used to test the heterogeneity (and comparability) of independent samples. Another statistical test such as the one sample test is used in order to compare the mean with a hypothetical value. These values are attached to the normative scores that are generally recommended by the accountant and linguistic liiterature.

The Length and The Structure and of the International Auditors' Report

Regarding standardised reports by ISA 700, the results show that the third illustration presents the longest audit report. The lengthening of the wording of the report is justified by the large number of words (405), number of sentences (19) and number of lines (40). However, the second illustration standardises the shortest wording of auditor's report (Table 2).

Among the reports that are standardised by the ISA 705, the statistical measures indicate that the second illustration communicates the message that is the longest. Conversely, the fourth figure offers a short text report (Table 3). The shortening of this report is validated by the reduced number of words (360), number of sentences (18), number of lines (35) and number of paragraphs (14).

According to the clear writing principles, the use of long words intensifies the difficulty of reading. Nine characters (or three syllables) per word is a good average. For the full audit reports, the average word length is around 6.732 (per character) and 2.089 (per syllables). These lengths are consistent with the principles of comprehensible writing. At the level of significance (Alpha=0,050), the results of the One-Sample t-test rejects the hypothesis that the average

Table 4: One-Sample Student's t Test for average word length

Table 4.1 One-Sample Student's t Test / right-tailed test (Average word length per character)				
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha
-40.82	1.86	8	1.00	0.05
Table 4.2 One-Sample Student's t Test / right-tailed test (Average word length per syllabe)				
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha
-47.85	1.86	8	1.00	0.05

Table 5: One-Sample Student's t Test for average sentence length

One-Sample Student's t Test / right-tailed test (Average sentence length per words)				
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha
2.83	1.86	8	0.01	0.05

Table 6: Test on contingency table for word length of ISA 700 (Homogeneity of word length per syllables/characters)

Word Length (syllables)	**Illustrations of ISA 700 (Word count)**			**Chi-square test**		
	1	**2**	**3**	**Observed value**	**Critical value**	**One-tailed p-value**
Number of words with less than three syllables	244	219	246	0.45	5.99	0.80
Number of words with three or more syllables	144	131	159			
Word Length (characters)	Illustrations of ISA 700 (Word count)			Chi-square test		
	1	2	3	Observed value	Critical value	One-tailed p-value
Number of words with less than nine characters	283	264	285	2.43	5.99	0.30
Number of words with nine or more characters	105	86	120			

word length is strictly greater linguistic standards (Table 4).

According to the clear writing rules, sentences must vary in length to avoid boring your reader. But the average length should be short. Fifteen to 20 words per sentence is a good average. The average sentence length was about 20.947 words.

Except for the fourth illustration, which is provided by ISA 705, other illustrations of audit reports slightly exceed the linguistic rules. Towards the language standards, the One-Sample Student's t Test is applied in order to estimate if the average sentence length is excessive. At the level of significance (Alpha=0.050) the decision is to reject the null hypothesis that the mean is equal to 20. In other words, the alternative hypothesis that the mean is greater than 20,000 is significant (Table 5).

The Chi-square statistical test has been applied in order to determine if organisational differences exist within the each International Standards on Auditing reports. The linguistic measures (which focus on the distribution of number of syllables and character) confirm the assessment of the structural homogeneity of reports which are illustrated by the ISA 700 (The results appear in Table 6). For all illustrations of audit reports, the normalizer (International federation of Accountants) adopted a stable and homogeneous linguistic structures.

The statistical results have confirmed the assumption of comparability of reporting structures contained in ISA 705. For all illustrations, International Federation of Accountants uses homogeneous formulations to normalize the communication of audit results (Table 7).

The same Chi-square test has been used in order to compare the organisation of the auditor's report between International Standards on Auditing 700, 705 and 706. The inexistence

Table 7: Test on contingency table for word length of ISA 705 (Homogeneity of word Length per syllables/characters)

Word Length (syllables)	Illustrations of ISA 705 (Word count)					Chi-square test		
	1	2	3	4	5	Observed value	Critical value	One-tailed p-value
Number of words with less than three syllables	337	328	342	233	281	2.29	9.49	0.68
Number of words with three or more syllables	182	206	184	127	150			
Word Length (characters)	Illustrations of ISA 705 (Word count)					Chi-square test		
	1	2	3	4	5	Observed value	Critical value	One-tailed p-value
Number of words with less than nine characters	385	382	399	270	329	3.81	9.49	0.43
Number of words with nine or more characters	134	152	127	90	102			

Table 8: Test on contingency table for word length (Homogeneity between ISAs 700, 705 and 706)

Word Length (syllables)	Illustrations of ISA 700 (Word count)			Illustrations of ISA 705 (Word count)					Illustrations of ISA 706 (Word count)
	1	2	3	1	2	3	4	5	1
Number of words with less than three syllables	244	219	246	337	328	342	233	281	366
Number of words with three or more syllables	144	131	159	182	206	184	127	150	200
Chi-square test									
Observed value	Critical value			One-tailed p-value					
4.57	15.51			0.80					
Number of words with less than nine characters	283	264	285	385	382	399	270	329	423
Number of words with nine or more characters	105	86	120	134	152	127	90	102	143
Chi-square test									
Observed value	Critical value			One-tailed p-value					
7.58	15.51			0.48					

of significant differences can reject the hypothesis of the structural heterogeneity of reports issued by IFAC. Throughout the standardisation of audit reports (contained in ISA 700, 705 and 706) the normalizer retains the same structure to illustrate the wording of audit reports (Table 8).

The Readability of Reports Illustrated by the International Standard on Auditing (Isa 700)

In linguistic terms, various variants of lexical density have been proposed in order to measure the readability and comprehensibility of texts. Given the availability of analyzers of texts and the feasibility of calculating readability scores, our analysis focuses on three linguistic indicators: Flesch Reading Ease, Grade Scale of education level and lexical density.

Among the standardised wording of ISA 700, the second illustration of report recommends the most readable (Flesch Reading Ease Score at 9.44). The lowest readability score corresponds to the third illustration of report which includes an unmodified opinion. For this same standard, the average readability score (between the three illustrations) is 5.64.

The education level of Flesch-Kincaid, said that the reports illustrated by ISA 700 are complex. On average, the intelligibility of these reports requires 17 years of schooling. Similarly, the third illustration is the most complex (Table 9).

Regarding standardised reports by ISA 705, the fourth illustration provides the most intelligible language (Score of

Flesch Reading Ease is 13.10). To the same scale Flesch, the second illustration models the audit report that is less readable by users of financial statements. For all illustrations, the average index of readability is around 8.81 (Table 9).

The test of Average Grade Scale indicates that the interpretation of reports illustrated by ISA 705 requires a high level of education. In terms of average, the comprehensibility of these reports requires 18 years of education. According to the same test, the third illustration is the most complex (Table 9).

Language measures also indicate that the audit report (contained in ISA 706) is difficult to read. Comprehensibility of the wording of this report requires a high level of education (Table 9).

Several theories of communication emphasize the density indicator. This indicator is seen as a relevant measure of readability. In definitional terms, the lexical density (Complexity factor) is a readability test designed to show how easy or difficult a text is to read. This test tries to measure the proportion of the content (lexical) words over the total words. Texts with a lower density are more easily understood. As a guide, lexically dense text has a lexical density of around 60-70% and those which are not dense have a lower lexical density measure of around 40-50%.

On the wealth of the used terms, the second illustration (provided by ISA 700) proposed a report with the highest lexical density (complexity factor is around 43%). In contrast, the third illustration (contained in ISA 705) recommends an audit report whose lexical diversity is not significant. For all standards (ISA 700, ISA 705 and 706) the results of statistical comparisons show that the complexity factors are consistent with scores recommended by the linguistic literature (Table 10).

In terms of readability, and according to the linguistic literature, a Flesch Reading Ease score of 60-70 is desirable. Towards these desirable standards, statistical tests show that the illustrations (which are provided by ISA 700, ISA 705 and ISA 706) are not readable by a wide range of users of

Table 9: Comparative readability between International Standards on Auditor's report

Indicators of readability			**Illustrations of reports**								
			ISA 700			**ISA 705**					**ISA 706**
			1	**2**	**3**	**1**	**2**	**3**	**4**	**5**	**1**
FRE	Value		8.40	9.44	-0.92	11.45	2.33	11.04	13.10	12.48	12.02
	Mean	Within	5.64			10.08					12.02
		Between	8.81								
Indicators of education level			Illustrations of reports								
			ISA 700			ISA 705					ISA 706
			1	2	3	1	2	3	4	5	1
Flesch kincaid	Value		17.16	16.77	18.68	17.03	18.24	17.40	16,40	16,62	16.79
	Mean	Within	17.54			17.14					16.79
		Between	17.23								
FOG	Value		15,23	14,9	15,66	15,49	15.68	16.01	14.88	15.00	15.27
	Mean	Within	15.26			15.41					15.27
		Between	15.35								
ARI	Value		20.80	20.40	22.32	20.84	21.76	21.15	19.59	19.48	20.41
	Mean	Within	21.17			20.56					20.41
		Between	20.75								
SMOG	Value		18.08	17.78	18.84	18.08	18.72	18.49	17.55	17.64	17.91
	Mean	Within	18.23			18.10					17.91
		Between	18.12								
AGS	Value		17.82	17.46	18.88	17.86	18.60	18.26	17.10	17.18	17.59
	Mean	Within	18.05			17.80					17.59
		Between	17.86								

Notes:
FRE = Flesch Reading Ease
AGS = Average Grade Scale = (Kincaid + ARI + Fog + SMOG)/4

Table 10: Lexical density of ISA reports and comparison test of one Proportion

Lexical density	Illustrations of reports								
	ISA 700			ISA 705					ISA 706
	1	2	3	1	2	3	4	5	1
	40.21	43.14	39.26	37.38	37.83	36.31	41.39	40.14	37.10
Z test for 1 Proportion / Right-tailed test:									
Z (observed value)		Z (critical value)		One-tailed p-value			Alpha		
-14.23		1.64		1.00			0.05		

Table 11. One-Sample Student's t Test for readabiliy scores

Standards ISA	One-Sample Test for FRE				
	t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha
700	-16.50	2.92	2	0.99	0.05
705	-25.31	2.13	4	1.00	0.05
700-705-706	-31.39	1.86	8	1.00	0.05
Standards ISA	One-Sample Test for Average Grade Scale				
	t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha
700	18.95	2.92	2	0.00	0.05
705	26.59	2.13	4	< 0.00	0.05
700-705-706	38.49	186	8	< 0.00	0.05

Table 12: K Independent Samples Comparison (Kruskal-Wallis)

Comparisons between ISAs (700, 705 and 706)	Kruskal-Wallis test (FRE)			
	H (observed value)	H (critical value)	DF	One-tailed p-value
	3.38	5.99	2	0.18
Comparisons between ISAs (700, 705 and 706)	Kruskal-Wallis test (Average Grade Scale)			
	H (observed value)	H (critical value)	DF	One-tailed p-value
	0.34	5.99	2	0.84
Comparisons between ISAs (700, 705 and 706)	Kruskal-Wallis test (Lexical density)			
	H (observed value)	H (critical value)	DF	One-tailed p-value
	3.04	5.99	2	0.22

financial information (Table 11).

Writing principles postulate that the desirable level of education should not exceed 10. The statistical results show that the Average Grade Scale (for all illustrations) exceeds the level of education recommended by the literature (Table 11).

The comparison of the audit reports contained in the three standards shows that readability scores are similar. In this regard, the comparison of means test confirms the absence of significant differences between the indices of readability (FRE), education levels (Flesch-Kincaid) and lexical density. Table (12) shows the detailed results of comparative tests.

DETERMINANTS OF COMPREHENSIBILITY OF IFAC'S REPORTS

With reference to accounting literature, several studies have focused on the determinants of readability of annual reports. According to research by Li (2008), the readability of annual reports can be influenced by several factors: size, market-to-book, firm age, volatility of business or operations, complexity of operations, financial complexity, firm events and incorporation state.

More specifically, and regarding the communication of audit

Table 13: Homogeneity test of English/French reports issued by ISAs 700, 705 and 706)

		Illustration 1		Chi-square test		
	Word Length (syllables)	**English**	**French**	**Observed value**	**Critical value**	**p-value**
ISA 700	Number of words with less than three syllables	244	270	1.98	3.84	0.15
	Number of words with three or more syllables	144	129			
	Word Length (characters)	Illustration 1		Chi-square test		
ISA 700	Number of words with less than nine characters	283	288	0.06	3.84	0.81
	Number of words with nine or more characters	105	111			
		Illustration 2		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 700	Number of words with less than three syllables	219	256	3.92	3.84	0.05
	Number of words with three or more syllables	131	112			
	Word Length (characters)	Illustration 2		Chi-square test		
ISA 700	Number of words with less than nine characters	264	272	0.22	3.84	0.64
	Number of words with nine or more characters	86	96			
		Illustration 3		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 700	Number of words with less than three syllables	246	280	2.09	3.84	0.15
	Number of words with three or more syllables	159	147			
	Word Length (characters)	Illustration 3		Chi-square test		
ISA 700	Number of words with less than nine characters	285	300	0.00	3.84	0.97
	Number of words with nine or more characters	120	127			
		Illustration 1		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 705	Number of words with less than three syllables	337	388	4.22	3.84	0.04
	Number of words with three or more syllables	182	160			
	Word Length (characters)	Illustration 1		Chi-square test		
ISA 705	Number of words with less than nine characters	385	410	0.06	3.84	0.81
	Number of words with nine or more characters	134	138			
		Illustration 2		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 705	Number of words with less than three syllables	328	369	3.17	3.84	0.07
	Number of words with three or more syllables	206	185			
	Word Length (characters)	Illustration 2		Chi-square test		
ISA 705	Number of words with less than nine characters	382	398	0.01	3.84	0.91
	Number of words with nine or more characters	152	156			
		Illustration 3		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 705	Number of words with less than three syllables	342	401	4.64	3.84	0.03
	Number of words with three or more syllables	184	163			
	Word Length (characters)	Illustration 3		Chi-square test		
ISA 705	Number of words with less than nine characters	399	423	0.10	3.84	0.74
	Number of words with nine or more characters	127	141			

		Illustration 4		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 705	Number of words with less than three syllables	233	269	3.11	3.84	0.07
	Number of words with three or more syllables	127	111			
	Word Length (characters)	Illustration 4		Chi-square test		
ISA 705	Number of words with less than nine characters	270	289	0.11	3.84	0.74
	Number of words with nine or more characters	90	91			
		Illustration 5		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 705	Number of words with less than three syllables	281	313	6.06	3.84	0.01
	Number of words with three or more syllables	150	116			
	Word Length (characters)	Illustration 5		Chi-square test		
ISA 705	Number of words with less than nine characters	329	331	0.08	3.84	0.77
	Number of words with nine or more characters	102	98			
		Illustration 1		Chi-square test		
	Word Length (syllables)	English	French	Observed value	Critical value	p-value
ISA 706	Number of words with less than three syllables	366	426	4.24	3.84	0.04
	Number of words with three or more syllables	200	180			
	Word Length (characters)	Illustration 1		Chi-square test		
ISA 706	Number of words with less than nine characters	423	455	0.01	3.84	0.89
	Number of words with nine or more characters	143	151			

results, the research conducted by Hay (1998) shows that the readability of audit reports depends on the characteristics of audit firms and modification of audit reports.

To discuss the quality of accounting standardisation, it is relevant to analyze the determinants of comprehensibility of reports issued by IFAC. The literature on this subject is not rich. The lack of literature encourages us to examine, for the first time, the impacts of:

- the translation of ISAs 700, 705 and 706,
- reformulation of reporting standards, and
- the effect of modified audit reports

The Impact of the Translation of Isas 700, 705 and 706

Originally, the international auditing standards are published in English. Several organisations translate these accounting standards to encourage the independent auditors to comply with international accounting doctrine.

It is generally accepted that translation work face several constraints such as:

- preservation of the meaning of auditing standards;
- fidelity to the original text;
- the maintenance of linguistic performance standards.

In general terms, the translation of international auditing standards is carried out in accordance with the IFAC Policy Statement - Policy for Translating and Reproducing Standards. The French translation of several international standards is conducted by The Canadian Institute of Chartered Accountants (CICA). The official translation is reproduced with the permission of IFAC.

In most cases, the translation of audit standards is supervised by professional accounting. The participation of specialists in linguistics is necessary to improve the quality and intelligibility of auditing principles.

According to the language measures, the organisation of audit reports (which are initially standardised in English) is not similar to the structure of reports translated into French. The Chi-square test rejects the hypothesis of homogeneity of the structures of reports submitted by two versions: English and French (Table 13).

Comparisons between the English and French versions of ISAs 700, 705 and 706 showed significant differences between the indicators of readability (Table 14). These differences confirm the importance of translation which is considered a determinant of readability of audit standards.

The Impact of the Modification of the Paragraphs of Audit Opinion

The insertion of amendments to paragraphs of opinions can alter the baseline characteristics of standardised reports. The length of the paragraphs of opinion (which requires an adverse opinion or a disclaimer of Opinion) varies according to the illustrations provided by ISA 700, 705 and 706. Statistically, this variation is significant (Table 15).

The results of comparative tests confirm the hypothesis of significant variability of scores that measure lexical density. Specifically, the insertion of amendments to the audit reports helps to improve readability of paragraphs of opinion (Table 16).

Remaining in the comparison of audit reports (modified

Table 14: Two-Samples t-Test for English/French reports

International Standards on Auditing		Flesch Reading Ease		
		t (observed value)	t (critical value)	Two-tailed p-value
ISA 700	English	-2.84	2.78	0.05
	French			
ISA 705 and ISA 706	English	-4.55	2.23	0.00
	French			

Table 15: Test on contingency table for word length homogeneity between opinion paragraphs (ISAs 700, 705 and 706)

Word Length (syllables)	Illustrations of ISA 700 (Word count)			Illustrations of ISA 705 (Word count)					Illustrations of ISA 706 (Word count)
	1	2	3	1	2	3	4	5	1
Number of words with less than three syllables	93			653					154
Number of words with three or more syllables	296			296					70
Chi-square test									
Observed value	Critical value		One-tailed p-value						
241.06	5.99		< 0.0001						
Number of words with less than nine characters	109			758					177
Number of words with nine or more characters	26			191					47
Chi-square test									
Observed value	Critical value		One-tailed p-value						
0.16	5.99		0.92						

Table 16: Test on contingency table for equality of complexity factors (Lexical density)

Lexical density	Illustrations of ISA 700 (Word count)			Illustrations of ISA 705 (Word count)					Illustrations of ISA 706 (Word count)
	1	2	3	1	2	3	4	5	1
Different words	109			494					113
Similar words	26			455					111
Chi-square test									
Observed value	Critical value		One-tailed p-value						
41.27	5.99		< 0.0001						

and unmodified), the assumption of significant variation in readability scores can not be accepted.At the level of significance (Alpha=0.05), the decision is to not reject the null hypothesis of equality of the redability indexes (Table 17).

Beyond standardisation carried out by the International Federation of Accountants, auditors should improve the comprehensibility of the paragraphs containing modified audit opinions. In all cases, it is desirable that the formulation of opinions which must comply with linguistic rules will be compatible with the decoding capabilities of stakeholders.

The Impact of the Reform of Standards on Auditors' Reports

Periodically, the International Federation of Accountants revising audit standards to reflect the new circumstances. It receives several projects that seek to improve the content of international auditing standards. These projects are usually proposed by the accounting institutes or international audit firms.

Towards changes in international auditing standards, the performance of audit reports does not seem to be stable. In other words, the readability of standard reports can vary according to each reform of audit standards.

In order to test the impact of the restatement of auditing standards, we will compare two versions proposed by the international standardisation of audit reports. These versions result from successive reforms of the ISA 700:

- The old ISA 700
- The new ISA 700 which was revised after 2009

Table 17: Kruskal-Wallis test for independent samples / two-tailed test

	Indexes of readability					
	FRE	**Flesch kincaid**	**FOG**	**ARI**	**SMOG**	**AGS**
H (observed value)	4.02	3.271	1.35	2.56	1.56	2.56
H (critical value)	5.99	5.99	5.99	5.99	5.99	5.99
DF	2	2	2	2	2	2
One-tailed p-value	0.13	0.19	0.51	0.28	0.458	0.28
Notes: FRE = Flesch Reading Ease AGS = Average Grade Scale = (Kincaid + ARI + Fog + SMOG)/4						

Table 18: The evolution of the structure of the international auditor's report

Structure of auditor's report	**Old audit report**	**Illustrations of new audit report**		
		1	**2**	**3**
Total word count	207	388	350	405
Total number of characters	1387	2638	2386	2846
Number of characters without spaces	1142	2226	2012	2416
Number of syllabes	464	815	735	891
Number of paragraph	8	15	14	14
Number of lines	21	38	35	40
Number of sentences	14	19	18	19
Average word length (per characters)	6.70	6.80	6.82	7.03
Average word length (per syllabes)	2.24	2.10	2.10	2.20
Average sentence length (per characters)	99.07	138.84	132.55	149.79
Average sentence length (per syllabes)	33.14	42.89	40.83	46.89
Average sentence length (per words)	14.78	20.42	19.44	21.32
Average sentence length (per lines)	1.5	2	1.94	2.10
Average paragraph length (per characters)	173.37	175.87	170.43	203.29
Average paragraph length (per syllabes)	58	54.33	52.50	63,64
Average paragraph length (per words)	25.87	25.87	25	28.93
Average paragraph length (per lines)	2.62	2.53	2.50	2.86
Average paragraph length (per sentences)	1.75	1.27	1.29	1.36

The elements of the new revised wording comprise certain evolutions compared to the original standard report of the ISA 700. These evolutions can incite various dialogues on the informative contents of the audit report. The new structure of the international report wording differs significantly from that recommended by the old reference (ISA 700). It proposes a longer text enriched by explanatory and descriptive paragraphs of auditor's work (Table 18).

After several revisions of the international standard (ISA 700), the homogeneity of the structure of audit reports (both old and new version) was verified. The chi-square test accepts the hypothesis of comparability of reports submitted by the old and the new ISA 700 (Table 19).

The lexical density of the previous audit report is higher than that calculated for the new reports. The difference between the density scores was statistically significant (Table 20). This result confirms the hypothesis of improved readability of reports published by IFAC.

According to the readability test that measures the ease of reading (FRE), the old version of ISA 700 has provided the

Table 19: Test on contingency table for word length homogeneity between old and revised ISA 700

Word Length (syllables)	**Illustrations of new ISA 700 (Word count)**			**Illustration of old ISA 700 (Word count)**
	1	**2**	**3**	
Number of words with less than three syllables	709			127
Number of words with three or more syllables	434			80
Chi-square test				
Observed value	Critical value			One-tailed p-value
0.03	3.84			0.85
Word Length (characters)	Illustrations of new ISA 700 (Word count)			Illustration of old ISA 700 (Word count)
	1	2	3	
Number of words with less than nine characters	832			161
Number of words with nine or more characters	311			46
Chi-square test				
Observed value	Critical value			One-tailed p-value
2.24	3.84			0.13

Table 20: Test on contingency table for equality of complexity factors (Lexical density)

Lexical density	**Reports prescribed by the revised ISA 700**			**Report prescribed by the old ISA 700**
	1	**2**	**3**	
Different words	466			108
Similar words	677			99
Chi-square test				
Observed value	Critical value			One-tailed p-value
9.33	3.84			0.00

Table 21: Comparative readability for standard audit reports (New Version / Old Version)

Indexes of readability	**Reports prescribed by the revised ISA 700**			**Report prescribed by the old ISA 700**
	Illustration 1	**Illustration 2**	**Illustration 3**	
FRE	8.40	9.44	-0.92	2.19
Flesch kincaid	17.16	16.77	18.68	16.63
FOG	15.23	14.91	15.66	12.81
ARI	20.80	20.40	22.32	17.52
SMOG	18.08	17.78	18.84	16.09
AGS	17.82	17.46	18.88	15.76
Notes: FRE = Flesch Reading Ease AGS = Average Grade Scale = (Kincaid + ARI + Fog + SMOG)/4				

audit report that is most readable. The index of education level shows that the new ISA 700 normalizes the least understandable reports (Table 21).

IMPLICATIONS AND DISCUSSION OF EMPIRICAL RESULTS

The readability of audit reports is a fundamental feature for all users of financial statements. In practice, the readability of accounting reports linguistic influences the performance of financial information.

The ambiguity of the audit reports can mislead users of financial statements. Consequently, the interpretation of financial statements will be erroneous. The reliable analysis of financial statements is strongly conditioned by the comprehensibility of the auditor's opinion.

In this paper, we tried to assess the level of understandability of the reports that are recommended by the International Auditing Standards. From the perspective of linguistic performance, the international standardisation of audit reports was not perfect. Such a phenomenon leads to the International Fedration of Accountants to review its policy of standardisation.

Improving the comprehensibility of international relations is necessary for the reliability of international transactions. The financial market participants need to use reports that assist the work of financial analysis. The reliability of this work is dependent on the quality of audit information.

The ambiguity of the audit reports threatens the reliability of corporate governance. It promotes the falsification of financial data and the transmission of misinformation. The misreading of these reports can damage the independent review of financial statements.

The obstacles to reading the results of audit may prevent the achievement of audit objectives. Accounting Standards must overcome these hurdles to enhance financial disclosures and interpretation of annual reports.

The inability of standardisation to provide readable reports disrupts the accounting profession. In the absence of reports that meet the language standards, auditors may communicate messages that do not fulfill their information function.

Standardisation of audit requires the interaction of several energies to produce high quality standards. Standardisation of audit reports must reflect the cultural characteristics to improve financial reporting.

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