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THE IMPACT OF EXPANSION OF INTERNATIONAL NORMATIVE ILLUSTRATIONS OF AUDITORS' REPORTS ON THE READABILITY OF AUDITING INFORMATION: A THEORETICAL DISCUSSION AND AN EXPLORATORY EMPIRICAL STUDY

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Abstract *The latest version of the revised International Standard on Auditing (ISA 700) recommends that independent financial auditors issue audit reports in long form. The purpose of this article is to examine the effect of expanding the international normative illustrations of the independent auditor's report on the readability of audit information. Also, this article discusses the impact of the characteristics of the financial reporting framework that is applied in the preparation of the audited financial statements. The empirical analyses contain several readability measures based on the formulas that are most commonly accepted in the linguistic literature. Descriptive analyses and advanced comparative examinations based on statistical tests are also included. The results show that the content expansion of the international normative illustrations in the independent auditor's report has not improved the readability of the audit information that is published to the users of the audited financial statements. The empirical analyses also show that the change in the accounting framework relating to the preparation of the financial statements does not cause a significant change in the readability of the long-form audit report. The article includes an original measurement of the readability of the international normative illustrations of the expanded audit report. This article also contains an advanced analysis of the readability gaps between empirically observed scores and desirable readability scores. It also tests the effects of the characteristics of the accounting standards that are used in the preparation of the audited financial statements.*

Keywords: *Expanded Audit Report, Revised ISA 700, Readability, International Auditing Standardisation*

INTRODUCTION

The financial audit engagement is formally completed when the independent auditor prepares and issues its report to the users of the financial statements. This report (whether in long or short form) has significant communicative value for a wide range of readers of financial information (primarily shareholders, investors and lenders).

For several years now, there has been considerable debate about the relevance and usefulness of expanding the wording of the independent auditor's report. As part of this debate, several theoretical surveys, several empirical survey presentations and a great deal of research have analysed the effect of enlarging the size of the audit report on improving financial communication.

From a quantitative point of view, the content of the independent auditor's report is improved when the amount of audit information provided to users is increased. From a qualitative perspective, the informational power of the audit report is not always improved when the independent auditor of the financial statements further expands the scope of information provided to users. Indeed, the linguistic effectiveness of the audit report is not related to the amount of information communicated but is conditioned by the quality and style of the written messages.

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At the international level, the first standards of the independent auditor's opinion presented a short illustration of an audit report. The initial text of the International Auditing Guideline (International Auditing Guideline 13 published by the International Federation of Accountants) recommends the communication of audit results in a short, not too detailed form.

The most recent amended version of the International Standard on Auditing (ISA 700) sets out several lengthy illustrations of audit reports. These prescriptive illustrations effectively replace the former short form audit report wordings. Such extensions to the size of independent auditors' reports had been hoped for:

- The improvement of the quality of financial communication;
- The enrichment of the content of the independent auditor's report;
- To enhance the satisfaction of the information needs of a wide range of users of financial statements;
- Improving the practices of independent auditors who are scattered across several countries; and
- Reduction of problems related to the communication of audit information (such as: informational asymmetry, incomprehensibility of audit information and auditing expectation gap).

In addition to these objectives, it seems important to ask the question about the change in the level of readability of standard audit reports after the lengthening of the normative wording of audit information that is intended for users of financial statements.

Theoretically, three situations could be possible after the issuance of the international normative illustrations of the expanded audit report:

- *First Situation:* The audit report will be more readable after the issuance of the long illustrations that standardise the independent auditor's opinion;
- *Second Situation*: the audit report will be less readable after the issuance of the long illustrations that standardise the independent auditor's opinion;
- *Third Situation*: the readability of the audit report remains unchanged after the issuance of the long illustrations that standardise the independent auditor's opinion.

Our article includes five sections. After the introduction, Section 2 will evoke the relevance of the expansion of the content of the international normative illustrations of audit reports. Section 3 presents a background discussion of previous research on the readability and effectiveness of the expanded auditor's report. Section 4 provides an empirical analysis of readability of international normative illustration of expanded audit report. Finally, Section 5 discusses the impact of results and implication of the research.

EXPANSION OF THE CONTENT OF THE INTERNATIONAL NORMATIVE ILLUSTRATIONS OF AUDIT REPORTS

After several successive revisions, the latest version of the International Standard on Auditing (ISA 700) offers several lengthy illustrations that model the wording of the independent financial auditor's report. The extension of the wording of the audit report results from the inclusion of several pieces of information that are considered relevant and important for the users of the audited financial statements.

The Objectives of Expanding the Wording of the Independent Auditor's Report

Reducing Information Asymmetry

Information asymmetry is a harmful phenomenon that taints the quality of financial communication. The information asymmetry assumption assumes that preparers and users of financial statements do not have the same information. The persistence of such an assumption allows certain categories of stakeholders to be favoured to the detriment of other users of financial information.

Theoretically, lengthening the independent auditor's report text can reduce information asymmetry by communicating data that expands users' knowledge of financial statements. A long-form audit report is also a source of knowledge enrichment for readers of financial information.

Reducing the Auditing Expectation Gap

The expectation gap is a disruptive phenomenon in the communication of audit results and information. It causes several situations of incomprehensibility regarding the objectives of the financial audit and the missions of the independent auditors. It illustrates several cases of misunderstandings, conflicting interpretations, ambiguous representations and misperceptions. A broad audit report is supposed to be a communication tool that can minimise biased interpretations and misreadings of audit information. Theoretically, the report is an instrument for clarifying professional messages that contain several technical concepts and professional terms.

Maximising the Satisfaction of Users' Information Needs

Every user of financial statements is looking for information necessary for decision-making and behavioural choices that facilitate the achievement of predefined financial or economic objectives such as seeking profit, exercising power in companies, increasing dividends received, strengthening business relationships and obtaining advantageous business contracts.

All users of financial statements want the maximum amount of information that correctly describes the real financial situation of the audited company. An audit report in long form improves financial communication and enhances the satisfaction of the informational needs of users of financial information. When the wording of the audit report is expanded, readers of financial statements receive more information that deciphers imprecise language and describes unclear phenomena.

Improving the Understandability of the Auditor's Report

Comprehensibility is the step that follows the reading of a message or report. It is a determining factor in the success and quality of the communication of all financial information, whether oral or written. The comprehensibility of the auditor's report improves with the provision of additional information that describes in detail the conduct of the independent auditor's engagement. The inclusion of several explanatory details clarifies the general framework of the external audit of the financial statements and facilitates the perception of the audit results.

Enhancing the Informational Value of the Auditor's Opinion

The independent auditor's opinion is always requested by a wide range of users of the financial statements in order to secure the interpretation of the audited financial information and to finalise the appropriate financial decisions. The long-form audit report provides more justification for the expression of the auditor's opinion. For the independent auditor, this type of report is a communication tool to convince (or reassure) both preparers and users of financial statements.

The Expansion of Corporate Social Responsibilities

According to the postulates of stakeholder theory, the company works to satisfy the needs of several economic agents and not only the needs of shareholders (or suppliers of capital). In line with this theoretical presumption, the hypothesis of corporate social responsibility has been highlighted [Getahun Abebe (2020); Masmoudi and Barhoumi (2023); Lal Paliwal (2023)]. Accordingly, the company should make additional efforts to improve its financial reporting practices and its disclosure of audit information. A long audit report can play a very important informational role in assisting a wide range of users of financial statements.

International Standardisation of Expanded Audit Reports on Financial Statements

Internationally, the unmodified audit report is normalised by the revised International Standard on Auditing ISA 700 (Forming an Opinion and Reporting on Financial Statements). Initially, all ISAs were published in English. Under the effect of the variability of accounting models, this standard is translated into several national languages.

According to the last revised ISA 700 International Standard is effective for audits of financial statements for periods ending on or after 15th December 2016), the independent auditor's report must contain the following elements:

- *Title:* The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor.
- *Addressee:* The auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement.
- *Auditor's Opinion:* The first section of the auditor's report shall include the auditor's opinion and have the heading "Opinion."
- *Basis for Opinion:* The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion."
- *Key Audit Matters:* For audits of complete sets of general purpose financial statements of listed entities, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA 701.
- *Responsibilities for the Financial Statements:* The auditor's report shall include a section with a heading "Responsibilities of Management for the Financial Statements." The auditor's report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to "management". In some jurisdictions, the appropriate reference may be to those charged with governance.
- *Auditor's Responsibilities for the Audit of the Financial Statements:* The auditor's report shall include a section with the heading "Auditor's Responsibilities for the Audit of the Financial Statements."

- *Signature of the Auditor:* The auditor's report shall be signed.
- *Auditor's Address:* The auditor's report shall name the location in the jurisdiction where the auditor practices.
- *Date of the Auditor's Report:* The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements.

In the appendix, the same revised ISA 700 provides four illustrations of expanded Independent Auditor's Reports on Financial Statements. Clearly, these illustrations are longer than those provided by the previous international standard, ISA 700 (Table 1). The expansion of the independent auditor's report confirms an international standard-setting drive to improve and enrich the disclosure policies of independent auditors of financial statements.

Table 1: Structural Characteristics and Length of Reports Illustrated by ISA 700 (Pre-Expanded Audit Report / Post-Expanded Audit Report)

Table 1.1: Pre-Expanded Audit Report					Table 1.2: Post-Expanded Audit Report		
		With a Fair Presentation Framework	With a Compliance Framework	On Consolidated Financial Statements	With a Fair Presentation Framework	With a Compliance Framework	On Consolidated Financial Statements
Words	Full audit report	381	343	396	967	733	1088
	Introductory Paragraph	54	49	60	57	52	66
	Auditor's Opinion	53	31	56	55	25	59
	Basis for Opinion	-	-	-	116	94	97
	Management's Responsibility	55	53	58	127	128	131
	Auditor's Responsibilities	205	201	211	595	425	652
Characters (including spaces)	Full audit report	2597	2310	2808	6401	4815	7316
	Introductory Paragraph	356	317	416	368	329	465
	Auditor's Opinion	329	186	361	350	162	400
	Basis for Opinion	-	-	-	785	629	657
	Management's Responsibility	409	369	448	879	877	925
	Auditor's Responsibilities	1401	1371	1479	3903	2750	4342
Characters (without spaces)	Full audit report	2217	1968	2413	5435	4083	6229
	Introductory Paragraph	303	269	357	312	278	400
	Auditor's Opinion	277	156	306	296	138	342
	Basis for Opinion	-	-	-	670	536	561
	Management's Responsibility	355	317	391	753	750	795
	Auditor's Responsibilities	1197	1171	1269	3309	2326	3691
Sentences	Full audit report	17	16	17	34	29	40
	Introductory Paragraph	1	1	1	1	1	1
	Auditor's Opinion	2	2	2	2	2	2
	Basis for Opinion	-	-	-	5	5	5
	Management's Responsibility	2	2	2	4	4	4

Table 1.1: Pre-Expanded Audit Report					Table 1.2: Post-Expanded Audit Report		
		With a Fair Presentation Framework	**With a Compliance Framework**	**On Consolidated Financial Statements**	**With a Fair Presentation Framework**	**With a Compliance Framework**	**On Consolidated Financial Statements**
	Auditor's Responsi-bilities	9	9	9	19	15	22
Paragraphs	Full audit report	12	11	12	24	20	27
	Introductory Paragraph	1	1	1	1	1	1
	Auditor's Opinion	2	2	2	2	2	2
	Basis for Opinion	-	-	-	2	2	2
	Management's Re-sponsibility	2	2	2	4	4	4
	Auditor's Responsi-bilities	4	4	4	12	9	13

PREVIOUS RESEARCH ON READABILITY AND EFFECTIVENESS OF EXPANDED AUDITOR'S REPORT

Definition and Measurement of the Readability of Audit Reports

Originally, readability is a notion that comes from linguistic sciences, whether fundamental or applied. Legibility is a qualitative characteristic with a visual and optical vocation. The concept of legibility has been the subject of several presentations in the fields of accounting and management. The literature encompasses a multitude of definitions that have sought to identify the meaning of legibility and to clarify its parameters.

Some definitions propose a combination of the concepts of legibility and comprehensibility. Logically, legibility is a fundamental criterion that largely conditions the comprehensibility of written texts. Compatibility reflects a deeper and more advanced sense of the concept of legibility. Intelligibility is concretised by two cognitive phenomena, which are apprehension and memorisation.

The most commonly applied readability measures are presented in the form of formulas or indices that consider two essential linguistic parameters: word length and sentence length. These formulas were originally developed by English-speaking experts and communication specialists. The most commonly cited and used readability models are those of Flesch (1948), the Flesch-Kincaid grade level (1975) and the Gunning Fog index (1952).

The Flesch Reading Ease (FRE) is a statistical measure of readability for which higher scores indicate material that is easier to read and lower numbers mark harder-to-read passages. The same Flesch test rates text on a 100-point scale and uses the following formula:

$$\text{Flesch Reading Ease (FRE)} = 206.835 - (1.015 \times \text{words per sentence}) - (84.6 \times \text{syllables per word})$$

The Flesch-Kincaid grade level (1975) is a test that determines the level of education required (or the number of years of scientific studies) to understand a written text. According to several researchers and communication specialists, this test makes it easy to judge the readability level of various informational documents. The grade level of Flesch-Kincaid is calculated with the following formula:

$$\text{Flesch-Kincaid Grade Level (FKGL)} = (0.39 \times \text{words per sentence}) + (11.8 \times \text{syllables per word}) - 15.59$$

The Gunning Fog (1952) index is another readability formula that was initially devoted to the analysis of didactic texts. This readability evaluation formula considers two factors: the average length of sentences and the number of words that consist of more than three syllables. The Gunning-Fog index uses the following formula:

$$\text{Gunning Fog Index (GFI)} = (0.4 \times \text{words per sentence}) + \text{percentage of complex words}$$

The hypothesis of the readability of written information is generally accepted when empirical readability indices are consistent with generally desirable normative scores (Table 2). Compliance with the scores (or normative readability indices) is aimed at the comprehensibility of the documents studied by a wide range of users of normative audit reports.

Table 2: Desirable Indexes of Readability for the Quality of Communication of Written Information

Readability Measurement Formulas	Desirable Scores Or Indexes		Level of Education	Level of Reading Difficulty	Users of the Information
	Min	Max			
Flesch Reading Ease – FRE	60	100	-	Standard (easy to read)	-
Flesch-Kincaid Grade Level – FKGL	6	10	High school education		-
Gunning Fog Index - GFI	8	12	-	-	General public (wide range of readers)

Prior Empirical Researches on the Readability of Audit Reports

The audit report is a financial communication tool that is prepared in narrative and textual form for the users of the financial statements. It requires careful reading and interpretation to understand and rely on the financial statements. For various reasons (audit standardisation performance, intelligibility of audit information, quality of services of independent auditors, etc.), several researchers have analysed and discussed the levels of legibility (or illegibility) of audit reports. Regarding the literature, a distinction should be made between what prior research refers to as de jure readability and *de facto* readability.

Previous Studies on Dejure Redability of Audit Reports

The International Standards on Audit Reporting (whether modified or unmodified) provide a practical guide for all independent auditors of financial statements. They provide auditors with prescriptive illustrations that model the wording of each type of audit report prepared under particular circumstances. According to several previous studies (Fakhfakh (2013a), Fakhfakh (2015a), Fakhfakh (2015b); Zorio et al. 2011), the readability analysis of the normative illustrations in audit reports is relevant because it shows the performance (or lack thereof) of the work of national and international standardisation of auditing practices. The Table (3.1) presents the results extracted from the main previous research.

Previous Studies on De Facto Readability of Audit Reports

Despite the issuance of international auditing standards, practices for issuing audit reports could no longer be perfectly homogeneous. With regard to the effect of cultural factors and national differences (in terms of company laws, accounting systems, the size of audit firms, the presence of powerful accounting bodies, etc.), several studies have analysed the linguistic characteristics of audit reports that have been communicated to users of financial statements. ((Barnett & Leofer, 1979; Fakhfakh, 2013b; Hay, 1998; Pound, 1981; Zeghal et al., 2000)). The Table (3.2) shows the main findings from previous empirical research.

Table 3: Selected Previous Studies on the Readability of Auditor's Report

Table 3.1: Previous Studies on De Jure Readability of Auditors' Reports on Separate Financial Statements			
Authors	**Analyzed Documents**	**Measuring Scale**	**Empirical Results**
Zorio et al. (2011)	International standards on independent auditor's repoirt	Flesch reading ease, SMOG index and the FOG index	The results show very low readability of ISAs, according to all the readability indices applied
Fakhfakh (2013a)		Lexical density, Gunning-fog index, Flesch reading ease, ARI indx and SMOG grade level	The results show that the standardized audit reports are not fully readable. These reports do not fulfill their informative function
Fakhfakh (2015a)		Flesch reading ease, Gunning fog index and Index of Kandel and Moles	The three illustrations provided by the ISA 700 are not fully readable by the users of separate financial statements. The length of several sentences greatly exceeds the linguistic standards
Fakhfakh (2015b)		Flesch reading ease, Gunning fog index and Index of Kandel and Moles	The illustrations provided by the ISA 705 are not always understood by the readers of the separate financial statements. The wordings of modified audit reports do not comply with Generally Accepted Linguistic Standards

Table 3.2: Previous Studies on De Facto Readability of Auditors' Reports on Separate Financial Statements

Authors	Analyzed Documents	Measuring Scale	Empirical Results
Pound (1981)	Audit reports published in Australia	Flesch formula (Flesch reading ease)	The reading of the audit reports is difficult
Hay (1998)	Audit reports published in New Zealand	Flesch formula (Flesch reading ease)	The financial statement users face many difficulties in the interpretation of the audit results
Zeghal et al. (2000)	audit reports published in nine countries (Australia, Canada, the USA, the UK, Germany, Belgium, France, Italy, and Japan)	Flesch formulas and Gunning fog index	The audit reports are difficult to read by users of financial statements. The results confirmed the existence of significant deference between the readability scores of reports
Fakhfak (2013b)	Audit reports issued by the statutory auditors in Tunisia	Flesch reading ease, Gunning fog index, lexical density, complexity of sentence and complexity of vocabulary	The results of this research show that the Tunisian reports are not legible to users of financial statements. The difficulty in understanding audit information hampers the interpretation of financial statements

Previous Research on the Effectiveness of Expanded Audit Reports

An expanded audit report is a long document containing several pieces of detailed audit information. Several previous studies were interested in analysing the informational value of long audit reports. The study by Innes et al. (1997), shows that increasing the size of the audit report can change the perceptions of users of financial statements and their understandings of the audit information that is provided by independent auditors. According to the same authors, extending the wording of the audit report remains a partial solution to overcome the communication problems associated with the expectation gap.

The study by Kitiwong and Sarapaivanich (2020) analysed the impact of longer audit report wordings on audit quality. The results showed that the inclusion of several key audit elements did not have a significant impact on the effectiveness and performance of the independent audit of financial statements. The conclusions drawn from this study also show that only key audit issues related to acquisitions have informational value.

Smith's research (2019) examined the effect of the publication of extended audit reports on the communication value of the audit report (audit reports issued in accordance with ISA 700, which is applied in the United Kingdom and Ireland). The results show that after the adoption of ISA 700, audit reports are easier to read and better explain the risks associated with the independent audit of financial statements. The same author found that the language used in the communication of results has improved after the recent standardisation of the extended audit report.

The study by Gutierrez et al. (2018) assessed the decision-making utility of publishing extended audit reports in the United Kingdom. The results show that the lengthening of the wording of audit reports has not significantly affected investors' reactions to the disclosure of audit information. The findings also state that the extension of the content of audit reports has not affected audit fees or the quality of the independent audit of financial statements.

EMPIRICAL ANALYSIS OF READABILITY OF INTERNATIONAL NORMATIVE ILLUSTRATION OF EXPANDED AUDIT REPORT

Research Methodology

To perform our descriptive and comparative analyses, we downloaded two different electronic versions of the international standard ISA 700 (forming an opinion and reporting on financial statements). The new version of this standard describes broad wording for the auditor's report on financial statements. In contrast, the old version of ISA 700 provides illustrations of audit reports that are less lengthy.

Our research is assisted by text analysis software that provides several linguistic statistics of the documents examined (word and sentence length, syllable count, readability formulas, etc.). The two electronic versions of the international standard ISA 700 are initially presented in PDF format. A conversion to the Microsoft Word format was necessary so that the software displays the linguistic measures.

All International Standards on Auditing are initially written and officially published in English. Thus, the previously exposed readability tests (the FRE, the Flesch-Kincaid grade level and the Gunning-Fog index) could be perfectly applied in our empirical analyses. The choice of these tests has been justified by several reasons, such as their application in a wide range of previous research, their recognition by the majority of experts and communication specialists, their adoption by most of the textual information analysis software.

Descriptive Analysis of Readability of International Normative Illustrations of Expanded Auditor's Report

Language statistics show that the standard audit report on financial statements (prepared in accordance with a fair presentation framework) is difficult to read by a wide range of users (the FRE score is around 7.5). The education level of Flesch-Kincaid, said that the reports illustrated by ISA 700 are complex. On average, the intelligibility of these expanded audit reports requires 19 years of schooling. According to the Gunning Fog Index test, the international normative illustration of the long audit report is considered a purely technical document.

Among the components of the long-form audit report, the paragraph of the independent auditor's opinion (on financial statements prepared in accordance with a fair presentation framework) is the part that is easiest to read. On the other hand, the part of the report that sets out management's responsibility is the most complex. The intelligibility of this element requires 21.7 years of schooling.

The illegibility of the expanded audit report changes relatively when the audited financial statements are prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users (see Table 4). The tests of comparison of means and variances do not reject the hypothesis of the existence of significant differences between the two normative versions of the independent auditor's report (see Table 5).

Table 4: Variation in Readability Levels (Audit Report with a Fair Presentation Framework / Auditor's Report with a General Purpose Compliance Framework)

Tableau 4.1: Flesch Reading Ease (FRE)			
Elements of Audit Report	**Auditor's Report with a Fair Presentation Framework**	**Auditor's Report with a General Purpose Compliance Framework**	**Variation**
Full audit report	7.5	9.9	2.4
Introductory Paragraph	-14.3	-3.8	10.5
Auditor's Opinion	3.2	16.8	13.6
Basis for Opinion	6.8	10.5	3.7
Management's Responsibility for the Financial Statements	-3.9	-3.4	0.5
Auditor's Responsibilities	4.7	8.7	4
Tableau 4.2: Flesch-Kincaid Grade Level (FKGL)			
Elements of Audit Report	**Auditor's Report with a Fair Presentation Framework**	**Auditor's Report with a General Purpose Compliance Framework**	**Variation**
Full audit report	19.3	18.2	-1.1
Introductory Paragraph	29.4	26.7	-2.7
Auditor's Opinion	26.2	16.9	-9.3
Basis for Opinion	18.1	16.5	-1.6
Management's Responsibility for the Financial Statements	21.7	21.7	0
Auditor's Responsibilities	20.4	19.1	-1.3
Tableau 4.3: Gunning Fog Index (GFI)			
Elements of Audit Report	**Auditor's Report with a Fair Presentation Framework**	**Auditor's Report with a General Purpose Compliance Framework**	**Variation**
Full audit report	24.4	23.5	-0.9
Introductory Paragraph	38.9	36.2	-2.7
Auditor's Opinion	32.7	24.6	-8.1
Basis for Opinion	22	20.7	-1.3
Management's Responsibility for the Financial Statements	27.5	27.5	0
Auditor's Responsibilities	25.1	23.9	-1.2

Table 5: Parametric Two-Samples Tests (Audit Report with a Fair Presentation Framework / Auditor's Report with a General Purpose Compliance Framework)

Table 5.1: Audit Report with a Fair Presentation Framework / Audit Report Auditor's Report with a General Purpose Compliance Framework (Flesch Reading Ease - FRE)								
	Two-Samples t-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	-1.156	Satterthwaite	7.978	2.307	0.281	Fisher's F test	0.922	0.05
	-1.156	Cochran-Cox	4	2.776	0.312	Bartlett's test	0.922	0.05
Equal	-1.156		8	2.306	0.281	Levene's test	0.760	0.05
Table 5.2: Audit Report with a Fair Presentation Framework / Audit Report Auditor's Report with a General Purpose Compliance Framework (Flesch-Kincaid Grade Level - FKGL)								
	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	1.075	Satterthwaite	7.941	2.309	0.314	Fisher's F test	0.871	0.05
	1.075	Cochran-Cox	4	2.776	0.343	Bartlett's test	0.871	0.05
Equal	1.075		8	2.306	0.314	Levene's test	0.710	0.05
Table 5.3: Audit Report with a Fair Presentation Framework / Audit Report Auditor's Report with a General Purpose Compliance Framework (Gunning Fog Index - GFI)								
	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	0.668	Satterthwaite	7.882	2.312	0.523	Fisher's F test	0.817	0.05
	0.668	Cochran-Cox	4	2.776	0.541	Bartlett's test	0.817	0.05
Equal	0.668		8	2.306	0.523	Levene's test	0.640	0.05

Statistical Analysis of Readability of International Normative Illustrations of Expanded Auditor's Report

The results of the one-sample student's test (right-tailed test) show that the readability indexes dealing with international normative illustrations of the expanded audit reports are significantly different from the desirable values (Table 6). Statistically and at the level of significance (Alpha = 0.050) the decision is to not reject the null hypothesis that the mean is equal to desirable values. In other words, the alternative hypothesis that the mean is greater than hypothesized mean is not significant. The observation of the Table 7 also shows that the empirical indices of readability of audit reports are strongly different from the desired scores. Indeed, the most important and remarkable discrepancies are verified in the test of FRE.

Table 6: One-Sample *t*-Test (Compliance Level with Desirable Indexes of Readability)

Table 6.1: Auditor's Report on Financial Statements Prepared with a Fair Presentation Framework					
Flesch Reading Ease (FRE) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
-15.783	2.132	4	1.000	0.05	60
Flesch Reading Ease (FRE) – Desirable Max Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
-26.184	-2.132	4	< 0.0001	0.05	100
Flesch-Kincaid Grade Level (FKGL) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
8.397	2.132	4	0.001	0.05	6

Flesch-Kincaid Grade Level (FKGL) – Desirable Max Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
6.439	-2.132	4	0.999	0.05	10
Gunning Fog Index (GFI) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
7.122	2.132	4	0.001	0.05	8
Gunning Fog Index (GFI) – Desirable Max Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
5.781	-2.132	4	0.998	0.05	12
Table 6.2. Auditor’s Report on Financial Statements Prepared with a General Purpose Compliance Framework					
Flesch Reading Ease (FRE) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
-13.388	2.132	4	1.000	0.05	60
Flesch Reading Ease (FRE) – Desirable Max index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
-23.261	-2.132	4	< 0.0001	0.05	100
Flesch-Kincaid Grade Level (FKGL) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
7.564	2.132	4	0.001	0.05	6
Flesch-Kincaid Grade Level (FKGL) – Desirable Max Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
5.430	-2.132	4	0.997	0.05	10
Gunning Fog Index (GFI) – Desirable Min Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
7.046	2.132	4	0.001	0.05	8
Gunning Fog Index (GFI) – Desirable Max Index					
t (observed value)	t (critical value)	DF	One-tailed p-value	Alpha	Hypothesized mean
5.529	-2.132	4	0.997	0.05	12

Table 7: Difference in Readability Indexes of International Normative Illustrations of Expanded Audit Reports (Empirical Indexes / Desirable Indexes)

Tableau 7.1: Auditor's Report on Financial Statements Prepared in Accordance with a Fair Presentation Framework

	Flesch Reading Ease (FRE)					Flesch-Kincaid Grade Level (FKGL)					Gunning Fog Index (GFI)				
	Index	Min	Variation	Max	Variation	Index	Min	Variation	Max	Variation	Index	Min	Variation	Max	Variation
Full audit report	7.5	60	52.5	100	92.5	19.3	6	-13.3	10	-9.3	24.4	8	-16.4	12	-12.4
Introductory Paragraph	-14.3	60	74.3	100	114.3	29.4	6	-23.4	10	-19.4	38.9	8	-30.9	12	-26.9
Auditor's Opinion	3.2	60	56.8	100	96.8	26.2	6	-20.2	10	-16.2	32.7	8	-24.7	12	-20.7
Basis for Opinion	6.8	60	53.2	100	93.2	18.1	6	-12.1	10	-8.1	22	8	-14	12	-10
Management's Responsibility	-3.9	60	63.9	100	103.9	21.7	6	-15.7	10	-11.7	27.5	8	-19.5	12	-15.5
Auditor's Responsibilities	4.7	60	55.3	100	95.3	20.4	6	-14.4	10	-10.4	25.1	8	-17.1	12	-13.1

Tableau 7.2: 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

	Flesch Reading Ease (FRE)					Flesch-Kincaid Grade Level (FKGL)					Gunning Fog Index (GFI)				
	Index	Min	Variation	Max	Variation	Index	Min	Variation	Max	Variation	Index	Min	Variation	Max	Variation
Full audit report	9.9	60	50.1	100	49.9	18.2	6	-12.2	10	-8.2	23.5	8	-15.5	12	-11.5
Introductory Paragraph	-3.8	60	63.8	100	36.2	26.7	6	-20.7	10	-16.7	36.2	8	-28.2	12	-24.2
Auditor's Opinion	16.8	60	43.2	100	56.8	16.9	6	-10.9	10	-6.9	24.6	8	-16.6	12	-12.6
Basis for Opinion	10.5	60	49.5	100	50.5	16.5	6	-10.5	10	-6.5	20.7	8	-12.7	12	-8.7
Management's Responsibility	-3.4	60	63.4	100	36.6	21.7	6	-15.7	10	-11.7	27.5	8	-19.5	12	-15.5
Auditor's Responsibilities	8.7	60	51.3	100	48.7	19.1	6	-13.1	10	-9.1	23.9	8	-15.9	12	-11.9

Comparative Analysis of Readability of Long Form/Short Form Audit Report

According to the results of the Flesch test, the full text of the long audit report (on financial statements prepared in accordance with a fair presentation framework) is less readable than the former normative version of the short audit report. The test of Flesch-Kincaid grade level and the Gunning Fog index also show that the extension of the normative wording of the audit report did not improve the overall readability of the audit information. The deterioration of the general readability level is also observed when the financial statements are prepared in accordance with a fair presentation framework.

When the financial statements are prepared in accordance with a fair presentation framework, the readability of two elements of a long audit report (the introductory paragraph and management's responsibility for the financial statements) is relatively improved. On the other hand, the readability levels of the other remaining elements of the audit report have not improved (elements dealing with the auditor's opinion, the basis for opinion and auditor's responsibilities).

On the other hand, if financial statements are prepared in accordance with a general-purpose compliance framework, only the readability of the introductory paragraph is improved. Under the same assumption, no readability improvement was observed for the other components of the independent auditor's report.

The results of the average comparisons do not reject the hypothesis of a significant improvement in the readability of the audit information following the broadening of the wording and size of the independent auditor's report (see table 8). The lack of improvement in the readability of audit reports is also confirmed by the results of the tests of comparison of statistical variances (see Table 9).

Table 8: Variation in Readability Levels (Pre-Expanded Audit Report / Post-Expanded Audit Report)

Table 8.1: Auditor's report on Financial Statements Prepared in Accordance with a Fair Presentation Framework

Elements of Audit Report	Flesch Reading Ease (FRE)			Flesch-Kincaid Grade Level (FKGL)			Gunning Fog Index (GFI)		
	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation
Full audit report	9.1	7.5	-1.6	17.6	19.3	1.7	23.9	24.4	0.5
Introductory Paragraph	-18.7	-14.3	4.4	29.3	29.4	0.1	37.9	38.9	1
Auditor's Opinion	31.5	3.2	-28.3	15.5	26.2	10.7	21.9	32.7	10.8
Basis for Opinion	-	6.8	-	-	18.1	-	-	22	-
Management's Responsibility for the Financial Statements	-13.4	-3.9	9.5	22	21.7	-0.3	28.5	27.5	-1
Auditor's Responsibilities	5.8	4.7	-1.1	18.1	20.4	2.3	23.7	25.1	1.4

Table 8.2: 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

Elements of Audit Report	Flesch Reading Ease (FRE)			Flesch-Kincaid Grade Level (FKGL)			Gunning Fog Index (GFI)		
	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation	Pre-Expanded Audit Report	Post-Expanded Audit Report	Variation
Full audit report	10.4	9.9	-0.5	17.1	18.2	1.1	23.4	23.5	0.1
Introductory Paragraph	-8.6	-3.8	4.8	26.6	26.7	0.1	35.1	36.2	1.1
Auditor's Opinion	38.3	16.8	-21.5	11.8	16.9	5.1	19.1	24.6	5.5
Basis for Opinion	-	10.5	-	-	16.5	-	-	20.7	-
Management's Responsibility for the Financial Statements	-2	-3.4	-1.4	20.1	21.7	1.6	26.4	27.5	1.1
Auditor's Responsibilities	6.5	8.7	2.2	17.9	19.1	1.2	23.5	23.9	0.4

Table 9: Parametric Two-Samples Tests (Pre-Expanded Audit Report / Post-Expanded Audit Report)

Table 9.1: Pre-Expanded / Post Expanded Audit Report on Financial Statements Prepared in Accordance with a Fair Presentation Framework (Flesch Reading Ease - FRE)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	0.319	Satterthwaite	3.856	2.818	0.766	Fisher's F test	0.148	0.05
	0.319	Cochran-Cox	3	3.182	0.771	Bartlett's test	0.148	0.05
Equal	0.319		6	2.448	0.761	Levene's test	0.110	0.05

Table 9.2: Pre-Expanded / Post Expanded Audit Report on Financial Statements Prepared in Accordance with a Fair Presentation Framework (Flesch-Kincaid Grade Level - FKGL)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	-0.877	Satterthwaite	5.327	2.524	0.418	Fisher's F test	0.557	0.05
	-0.877	Cochran-Cox	3	3.182	0.445	Bartlett's test	0.556	0.05
Equal	-0.877		6	2.448	0.414	Levene's test	0.567	0.05

Table 9.3: Pre-Expanded / Post Expanded Audit Report on Financial Statements Prepared in Accordance with a Fair Presentation Framework (Gunning Fog Index - GFI)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	-0.647	Satterthwaite	5.857	2.462	0.542	Fisher's F test	0.802	0.05
	-0.647	Cochran-Cox	3	3.182	0.564	Bartlett's test	0.801	0.05
Equal	-0.647		6	2.448	0.541	Levene's test	0.856	0.05

Table 9.4: Pre-expanded / Post Expanded Audit 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 (Flesch Reading Ease - FRE)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	0.345	Satterthwaite	4.320	2.697	0.746	Fisher's F test	0.261	0.05
	0.345	Cochran-Cox	3	3.182	0.753	Bartlett's test	0.261	0.05
Equal	0.345		6	2.448	0.742	Levene's test	0.312	0.05

Table 9.5: Pre-Expanded / Post Expanded Audit 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 (Flesch-Kincaid Grade Level - FKGL)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	-0.539	Satterthwaite	5.330	2.524	0.612	Fisher's F test	0.558	0.05
	-0.539	Cochran-Cox	3	3.182	0.627	Bartlett's test	0.557	0.05
Equal	-0.539		6	2.448	0.609	Levene's test	0.609	0.05

Table 9.6: Pre-Expanded / Post Expanded Audit 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 (Gunning Fog Index - GFI)

	Two-Samples T-Test and Z-Test					Two-Samples Comparison of Variances		
Variances	Observed t	Method	DF	Critical t	Pr > |t|	Method	Two-Tailed P-Value	Alpha
Unequal	-0.460	Satterthwaite	5.820	2.466	0.662	Fisher's F test	0.777	0.05
	-0.460	Cochran-Cox	3	3.182	0.677	Bartlett's test	0.776	0.05
Equal	-0.460		6	2.448	0.662	Levene's test	0.806	0.05

RESULTS DISCUSSION AND IMPLICATION OF RESEARCH

Criticisms of Long Audit Reports

In general, a long information document requires more reading time and more effort to concentrate. An audit report in long form encourages users of the financial statements to pay more attention to the information that is communicated (or issued) by the independent financial auditors. A long audit report is more suitable for specialist readers who have the advanced skills and knowledge to decode a large amount of accounting data and financial information.

Logically, a long audit report contains a very high percentage of technical words and professional concepts that may be difficult to read or understand by a wide range of users. Not all readers of financial information are fully conversant with basic accounting and financial auditing terminology.

In addition, a long audit report requires more time to write than a short audit report. Extending the wording of the independent auditor's report may increase the likelihood of spelling or syntax errors. It requires more care in writing and more precision in order to improve communication with users of the financial statements.

A long audit report invites users to be more vigilant in interpreting the independent auditor's opinion and other information that describes the framework for performing the financial audit. Clarity and simplicity, which are two characteristics necessary for the quality of financial communication in written form, could be jeopardised when the number of items of information to be included in the auditor's report dramatically increases.

The Future of Standardisation of Long Audit Reports

The International Federation of Accountants will react to the results of future research, which will focus on the impact of the promulgation of normative illustrations in long-form audit reports, and will consider the relevance of proposing:

- Either the further lengthening of the wording of the independent auditor's report;
- or the reduction of the length of the same audit report.

The additional length of the text of the audit report may weaken the linguistic performance of the tools used to communicate information and audit results. Expansion of the audit report may result in the insertion of long words, difficult terms or complex concepts that intensify the independent financial auditor's language comprehensibility problems.

Reducing the size of the audit report's wording may also lead to new communication problems with users of the audited financial statements. In most cases, shrinking the text of the audit report results in a loss of information that may significantly reduce the scope and knowledge of the users of the financial statements.

The Linguistic Performance of the Expanded Audit Report

Successful communication of audit information is based on the use of language that is clear, simple, legible and understandable to a wide range of financial statement users. The clarity and simplicity of an audit report (including the long-form report) are influenced by the independent auditor's drafting skills. Expanding the wording of the audit report further increases the independent auditor's informational responsibility to stakeholders.

The performance of the publication of audit results is also conditioned by the use of known concepts (i.e., familiar terms) by most users of financial statements, particularly sophisticated users. The high complexity of the concepts used by independent auditors further intensifies the difficulty of reading audit reports on financial statements.

The independent auditor must take care in presenting key audit elements that are presumed to be important to users of the financial statements. The absence of express standardisation (whether strict or textual) of key audit elements expands the independent auditor's editorial and informational freedom. It leaves a wide range of informational choices and encourages independent auditors of financial statements to use the maximum amount of professional judgement.

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