

TOWARDS AN INTEGRATION OF THE AUDITORS' REPORTS TO THE BUSINESS WRITING STYLE GUIDE

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Abstract

This paper is designed to focus on writing several types of auditors' reports as part of the accounting function of auditing. The language of the opinion paragraphs in the auditors' reports is essential for expressing the qualification or unqualification, the disclaimer of or the adverse opinion. The following are important aspects to consider in relation to any type of business writing, including the auditors' reports: the writer in relation to the reader, the purpose, the structure/layout, style and conventions, the appropriate language, checking your writing for logical structure, clarity of ideas, accuracy (spelling, grammar, punctuation), appropriateness of style. The writing preparation and feedback frameworks as well as the style guide are essential when planning the auditors' reports.

Key-words: qualified opinion, unqualified opinion, disclaimer of opinion, adverse opinion, opinion paragraphs, auditors' reports.

What is the focus on when writing the auditors' report?

Writer/Reader/Purpose

Writing the auditors' report as part of business communication requires the writer to have a real purpose and a real audience in mind. A clear sense of purpose (e.g. an auditors' report giving an unqualified, qualified, adverse or disclaimer of opinion) and a clear sense of reader (eg. an auditors' report/letter written to the client's management, the Board of Directors and stockholders and would-be investors of DaimlerChrysler Financial Services Americas LLC) are provided to the writer who might be a certified public accountant or a chartered accountant. Every time one starts to write an auditors' report, he/she needs to ask himself/herself three questions: a. Who am I writing from?; b. What is the purpose of this piece of writing?; c. Who am I writing to?

Consequently, the teacher has to create contexts identifiable with those existing in real life and help the writer become aware of the writing context of the auditors' report. It is the business writing context that will enable the writers to communicate, maintain contact with a definite reader and have a definite purpose for their auditors' report.

Layout conventions

With the auditors' statement, using the conventions of layout correctly is very important for the writers. They need to remember and practise the seven required elements which should be present in the auditors' report:

- Date (1);
- Salutation (2);
- Identification of the statements examined (3);
- Statement of scope of the examination (4);
- Opinion introduction (5);
- Reference to fair presentation in conformity with generally accepted accounting principles (GAAP) (6) ;
- Signature of the CPAs (7).

The layout conventions, generally including the above mentioned seven elements, are to be strictly observed by the writers after having been taught to them, by using "matching" and the "unjumbling" of the jumbled paragraphs of the auditors' report.

The already specified numbers given to the seven main parts of the auditors' report layout can be identified with the expression of Merck's auditors' report, drafted by Arthur Anderson & Co. ,in the following:

"To the Stockholders and Board of Directors of Merck & Co. Inc. (2)

We have audited the accompanying consolidated balance sheets of Merck&Co. Inc (a New Jersey Corporation) and subsidiaries as of December 31, 1992. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.(3)

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. (4)

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merck&Co. Inc. and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.(5) &(6)

January 26, 1993 (1) New York, New York

Arthur Anderson&Co. (7).”

What style registers and tones should the report be written in?

In writing good auditors’ reports, the writer should be taught to find the right style register which is neither familiar, nor literary, but factual, with tight organization and the tendency to be “frozen” in nature. On the formality continuum scale, this particular style can be found somewhere between the neutral all-purpose style and the very formal style. As far as the tones are concerned, these are supposed to be polite by avoiding contractions and informality.

Auditors’ report language

When writing a report, the auditor expresses his professional opinion on the financial statements by affirming or disaffirming what management has compiled and presented. For example, Daniel M. Fletcher, a Certified Public Accountant, should send to the client’s management, the Board of Directors of Lederer Furniture Company, Inc. a report upon completion of the audit.

The language of the opinion paragraph is important and must be precise. The CPA, on whose behalf the student writes the report, will need specific language functions for expressing a definite type of opinion (i.e. unqualified, qualified, adverse or disclaimer of opinion), taking account of the Company’s financial statements and other essential documents. An adequate vocabulary for writing about the Company and expressing his/her opinion and perhaps also additional resources will be taken into consideration, too.

In the following, the interaction of planning, practising, analysing, reasoning and memorising in combination with an increased writers’ awareness of the language and language teaching and learning strategies will be made used of in teaching and learning how to write an unqualified or qualified opinion and a disclaimer of opinion as part of the auditors’ report.

When writing an *unqualified opinion*, the student will describe this business situation by presenting fairly /giving a true and fair view of the financial statements. The audited company, the date, the GAAP (generally accepted accounting principles), the salutation and

the name of the CPA (certified public accountant) who is expected to sign the unqualified opinion will be mentioned as task requirements. The aim of this task is to create a piece of text in the target language. If this belongs to a genre the student is not familiar with (i.e. the auditors' report), he /she makes use of the analysing strategy to examine other unqualified opinions within the auditors' report genre.

If the task was to write an unqualified opinion, the student would be provided with some authentic unqualified opinions such as:

“In my opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial condition of Lederer Furniture Company, Inc. in December 31, 1976 and the results of the operations for the year ending on that date, in conformity with generally accepted principles of accounting on a basis consistent with that of the year preceding.

Daniel M. Fletcher

Certified Public Accountant”

(Boicescu 77).

The role of the teacher would be to help writers focus on key features of the discourse structure, so necessary for the creation of an authentic – sounding piece of language. The above mentioned example which is peculiar to the genre of the auditors' reports can be incorporated by students into their own unqualified opinions of their reports.

By acknowledging modelling and the interaction of planning, practising, analysing, reasoning and memorising strategies, the writers may receive the task of drawing up an unqualified opinion to The Board of Directors and Stockholders of Motorola, Inc. and General Electric Company, respectively.

When drawing up the qualified opinion, the writer takes limited exception to the client's financial statements in a way that does not invalidate the statements as a whole. The cause or the reasons for the qualification are stated in an explanatory paragraph.

The writer is expected to analyse the following authentic example of a qualified opinion from the auditors' report for DaimlerChrysler Financial Services Americas LLC and acknowledge modelling for the creation of a new authentic – sounding piece of text in the target language.

“Our examination disclosed the following material noncompliance with minimum servicing standard II.I as set forth in USAP. As explained in the Management Assertion, minimum servicing standard II.I requires timely remittances of cash collections to the trusts. The Company's daily remittances are to include an estimate related to interest collections,

which is calculated at the beginning of each month and allocated to each remittance during the month. The calculation and allocation of estimated interest collections related to the daily remittances for January 2005 was not performed and daily interest was not remitted during the month, but was calculated and remitted in February through December.”

[+ THE EXPLANATORY PARAGRAPH] describes the minimum servicing standard and the non-application of the standard.

“We do not express an opinion or any other form of assurance on management’s statement referring to the accuracy of the monthly settlements or the correctness of the remittance of actual interest collections on the Distribution Date for the affected month”.

[+ THE QUALIFICATION] does not express an opinion referring to the exceptions.

“In our opinion, except for the material noncompliance described in the third paragraph, DaimlerChrysler Financial Services Americas LLC has complied, in all material respects, with the aforementioned applicable minimum servicing standards for the year ended December, 31, 2005”.

[+THE QUALIFIED OPINION] is an “except for” statement.

When drawing up the disclaimer of opinion, the student writing on behalf of the auditor must state that he /she is unable to express an opinion. The disclaimer must provide the reasons for which an opinion is not given. For the creation of another text in the target language, the student is to analyse the example of a disclaimed auditor opinion for a large public company available in the 10-K for FEDERAL NATIONAL MORTGAGE ASSOCIATION (FANNIE MAE):

“Because of the limitation on the scope of our audit described in the second paragraph of this report, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on management’s assessment referred to above. In our opinion, because of the effect of the material weaknesses, summarized above and described in *Management’s Report on Internal Control over Financial Reporting*, on the achievement of the objectives of the control criteria and the effects of any material weaknesses, if any, that we might have identified if we had been able to perform sufficient auditing procedures necessary to form an opinion on management’s assessment, the Company has not maintained effective internal control over financial reporting as of December, 31, 2004, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission “.

(Self) Evaluation and feedback frameworks

The (self) evaluation framework corresponds to the C1 level (i.e. proficient user) of the Common European Framework of Reference and is focused on the following key aspects to be evaluated by the writing students themselves, their peers or teachers:

- Appropriate structure and layout (title, headings, paragraphs, white space, bullets)
- Organisation of content (main points, facts, information, ideas, opinions, logical sequencing, arguments)
- Coherence/ Cohesion (linking devices, substitution, reference)
- Language (accuracy –grammar, spelling, punctuation- , appropriate vocabulary)
- Appropriateness of style registers and tones (formality and politeness).

The student feedback will include the answer to the following questions:

What have helped me become aware of the tips of a good auditors' report?

1. Acknowledging modelling through (self)planning, practising, analysing, reasoning and memorising;
2. The assessment criteria in the evaluation framework;
3. Teacher's feedback;
4. Peer's feedback;
5. Suggestions for improving effectiveness of writing auditors' reports.

Conclusions

This paper has combined teaching the writer how to draw up an unqualified or a qualified opinion and a disclaimer of opinion (within the auditors' reports) with the interaction of (self) planning, practising, analysing, reasoning and memorising strategies. This improvement will identify auditors' reports as part of the business communication for the modern business world , by increasing the writer's awareness stage.

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