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## Accountant's Audit Certificate or Report in Relation to His Responsibilities\*

BY JAMES HALL

The subject of my paper was no doubt assigned to me for submission to you because of the thought which I believe prevails at present among many accountants that the various forms of audit certificates or reports used by accountants should be changed in certain respects, and that greater uniformity of presentation should be our aim, with a view to precision of statement, desirable in itself, and as a safeguard against possible misinterpretation which, experience shows, might arise from the construction placed upon the language under an exacting scrutiny, and with the further purpose of properly restricting the obligations of the accountant to the parties to whom he owes a duty.

To their employer accountants owe (a) "a duty growing out of contract to make their certificate with the care and caution proper to their calling" and (b) "a duty imposed by law to make it without fraud." In a word, the accountant must, as a positive duty, exercise due care and professional skill; and his certificate must be free from the taint of fraud which "includes the pretense of knowledge when knowledge there is none."

The recent judgment of the New York court of appeals that an accountant's liability for negligence is bounded by the contract was received with a satisfaction that comes of confirmation of what is believed to be right, reasonable and just. The doctrine of privity of contract, though vigorously assailed, was upheld in the decision, which will have a salutary effect on further attempts to enlarge the legitimate boundaries of an accountant's responsibilities, as it reaffirms his firmly grounded right, that should not be challenged, to that same measure of protection as the law affords to every party to a contract.

At the same time we must recognize that, in the special circumstances surrounding an engagement, responsibility may not be restricted within the bounds of the contract; an accountability to other parties coördinate with the contract may be recognized by the courts as the basis of a valid cause of action. Responsibility for gross negligence, properly demonstrated—not

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\* Address delivered at the annual meeting of the American Institute of Accountants, September 16, 1931, at Philadelphia, Pennsylvania.

merely the vigorous assertion of a determined litigant—is recognized as, so to speak, inherent in the calling; there is no dispute as to that, and I think it is fair to state that in their comparatively brief history as a recognized profession accountants have not been unmindful of their responsibility.

In any consideration of the subject one must of necessity have well in mind what an accountant undertakes to do. There are many classes of service rendered and the work required under each will differ according to the class, the nature of the engagement and the obligation or responsibility thereunder. Undoubtedly the main portion of the work of the usual accountant's office consists of periodical audits of the accounts of industrial and mercantile concerns. That being the main classification my remarks will be directed particularly thereto in relation to the responsibilities of the accountant and the form of certificate or report.

Such audits may be confined to a substantiation of the balance-sheet, submitted to the accountant by the client, in which are incorporated the assets and liabilities shown by the books at a specified date, or they may be extended to cover an examination or review of the operating accounts for a period. Each engagement to make an audit must be considered separately by the accountant with regard to the specification to be drawn to indicate the character and extent of the examination work required, taking into consideration the nature of the engagement, the kind of business under examination, the condition of the records, the existence or non-existence of internal methods of control and so forth. As an aid to us we have the excellent pamphlet *Verification of financial statements*—a method of procedure suggested by the American Institute of Accountants (revised May, 1929) commonly called the “federal reserve board bulletin”—and it may be appropriate at this point to quote a part of the “general instructions” included therein as follows:

“The procedure described is designed for the auditor's use primarily in the case of industrial and mercantile concerns, but it is also applicable in the case of most other business enterprises. The extent of the verification will be determined by the conditions in each concern. In some cases the auditor may find it necessary to verify a substantial portion or all of the transactions recorded upon the books. In others, where the system of internal check is good, tests only may suffice. The responsibility for the extent of the work required must be assumed by the auditor. This procedure will not necessarily disclose defalcations nor every

understatement of assets concealed in the records of operating transactions or by manipulation of the accounts."

In view of the discussions and opinions that have recently occupied our attention some brief consideration may here be given to the "test" method above referred to, or, as it is sometimes described, the "testing and sampling" method.

The inherent limitations of that method are recognized; such a practice is not ideal and no one pretends that it is. Under proper conditions it is practicable, reasonably effective, as well as economical of effort and expense but, as is well understood, its application in any particular case is largely a matter of judgment and discretion and postulates as essential conditions (1) that the accounts examined are fair (i. e., true or honest) upon their face, (2) that there is no reason to question the integrity of the personnel, and (3) that a properly coördinated, though not necessarily a highly refined, system of accounts is in use, regard being had to particular conditions, and supplemented by some acceptable form of internal control. I think I should remark here, so as to remove persistent misconceptions that have a rather surprising range, that as a practical matter, in dealing with the accounts of any size at all, the so-called "testing and sampling" method is not merely a permissible procedure but is the only practical way of conducting the engagement.

I should like to emphasize that it is impossible to set down in inflexible terms the invariable detailed procedure the accountant must follow in all cases in order to justify his certificate or report. He must be qualified by education and experience to carry out the work he has undertaken; he must exercise skill, vigilance and discretion to a reasonable degree; the opinions he forms must be determined from a careful weighing of the evidence; he is not an insurer, and he can not be expected to assume unreasonable burdens.

However an accountant's certificate or report may be defined, it certainly is not a blanket policy of indemnity convertible into a blank cheque at the option of the transferee; and I would here inject that it is one thing for an accountant to accept, as he does, an equitable measure of accountability, but it is quite another to be saddled with the intolerably onerous burden as unconditional guarantor of the accounts he has examined. Briefly, but emphatically, an auditor is not an insurer; neither good sense nor good business should seek to hold him as such.

There is no attempt to minimize an accountant's responsibility for gross negligence to his employer, but it is startling to find in the dicta of the court in a recent case that an accountant may be held to owe a duty to the world at large. Such a doctrine bridges the deep chasm between gross negligence and fraud, and declares that negligence may be held to be of such a nature and degree as to constitute, by legal definition, fraud. Stated in other terms, negligence may be regarded as a major aspect of a fraud which it shapes and characterizes.

Of course, I do not mean to say that negligence, particularly gross negligence, is to be dismissed by a spacious gesture and pietistic professions of regret. It is far too serious a matter to be in any way so lightly regarded. As a matter of fact, whether legal accountability is exacted or not, a public accountant to whom negligence is imputed, whether or not he be the unfortunate victim of circumstances, will liquidate his experience at heavy cost by the very fact that his professional capacity has been openly challenged, even though the courts hold him blameless. An assertion of negligence as a cause of action in itself assesses damages on the accountant in a very real sense. In business and financial circles, the ultimate arbiters of advancement in his calling, his probity and capacity are appraised in the spotlight of publicity, colored more or less by censorious criticism that tends to prejudge every issue before the facts are sifted; and, circumscribed by the rules of evidence, he is called upon by hostile counsel, with the privilege and purpose of an advocate, to defend and justify procedure in a set of circumstances now illumined by the certain knowledge of hindsight. The accountant, it is true, has his day in court, but none the less the suggestions and implications developed by an adroit legal adversary tend to create the impression that with so much smoke there must have been a fire.

A perplexing phase of the question is this: In a given case what is the measure of damages assessable against the accountant for conceded or judicially determined negligence—either simple negligence, or gross negligence which might be held to be fraud? By way of illustration let us refer to the recent case previously mentioned. Here the plaintiffs (creditors of the company whose accounts had been reported upon by the defendant firm of accountants), who had sustained a loss of some \$190,000 by relying, so they averred, on the accountants' certificate, made claim for

full reimbursement of such loss, which they asserted as a cause of action resulted from the negligence of the accountants. Further, the jury in the trial term awarded the full amount claimed and although that award was set aside the fact is mentioned because of the possibilities it projects. Other suits were entered on the same grounds so that, in short, legal action was invoked to recover from the accountants, I understand, over \$500,000 in all. It may be added that the accountants had been paid \$1,100 for the work they had done. Now, it is submitted that, if the measure of damages is the total loss sustained by creditors who relied on the accountants' certificate, then—a valid right of action being assumed—this is tantamount to holding, whatever the theories may be, that in his capacity as auditor the accountant, if negligent, assumes the obligations of a guarantor. The equivalence seems pretty well complete. If there is a distinction, in practical effect, where is it? The accountant may have been negligent though not wilfully or perversely indifferent; he may have erred in judgment; he may have relaxed his vigilance; his conclusions may have been fallacious or his procedure imprudent or defective; but, granting any of these circumstances, if his motives reflected in his conduct were not fraudulent in purpose, then to argue his accountability to the full extent of losses, which would or might have been prevented by a more skillful performance of the duties he undertook, is to assert that an auditor is thereby in effect an insurer who must indemnify his employer, and possibly others standing in the latter's place, for losses attributable to an incorrect and therefore misleading statement.

I am not condoning error nor am I seeking to dilute the serious consequences properly issuing from either carelessness or professional ineptitude, but I do venture to affirm that a doctrine of complete accountability such as I have outlined seems an extravagant notion that violates the rule of reason. Extending the court's observation in another setting, the hazards of a calling conducted on these terms are so extreme as to enkindle doubt whether a flaw may not exist in the implication of a duty that exposes the consequences of so crushing a penalty.

In any given case of negligence is it to be maintained that the passivity of the accountant—his negligence—is completely answerable in heavy damages for the active and designed deceit of the employer who falsifies or otherwise manipulates his records? Is it not nearer the truth to say that, in a large measure—for the

deceit is definitely determinable while negligence is almost always debatable—the proximate and moving cause of such losses as we are now considering resides in the action of the principals who planned the deception whereby they secured benefits which would or might have been denied if the facts had been disclosed. Actually a joint and several liability at law would appear to merge simply into a separate liability of the accountant.

Of course, it may be rejoined that the responsibility of the accountant in the scope of his employment is a fact and that we may be assured that the extent of the damages assessable against him by legal process will be modified by the particular circumstances, among which may be mentioned the nature, methods and extent of the deceit practised by his employer as well as the contributory negligence, if any be evidenced, of the party wronged. This may be good theory but it does not seem to receive much support from the dicta of the court.

It would be decidedly inimical to the development of the profession if those whom we serve felt that we were endeavoring to evade or neutralize a due measure of responsibility, just as it could be a misfortune of major proportions if the confidence, which we like to think has been earned by trustworthy service and by long continued constructive effort to that end, were impaired by fostering the belief that the accountant's professional creed hedged and restricted his responsibility by unwarranted disclaimers. Negligence—and especially gross negligence—should bear its penalties: this should be and is, I think, conceded unreservedly. At the same time the doctrine of “the proximate and moving cause” is legitimately to be stressed and vigorously urged with a view to modifying the extreme hazards to which an accountant is exposed. Liability for negligence is one thing; the obligations of an insurer, in fact if not in name, should be quite another.

At the completion of an audit the accountant is expected to render a report of his conclusions. Sometimes this takes the form of a report making detailed references to the various assets and liabilities dealt with, also to the results of the operations, but the more or less common practice is to give a report, commonly called a certificate, wherein it is stated that the examination has been made and that, in the opinion of the accountant, based on his examination and information furnished to him, the accounts presented set forth the financial condition and the results of the

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operations. Any informative or qualifying statement which the accountant considers essential will, of course, be incorporated. Such a report or certificate is sometimes described as the "short" form to distinguish it from the form described as the "long" form, in which is included all that appears in the short form and in addition brief references to cash, accounts receivable, inventories, fixed assets and depreciation applicable thereto, current liabilities, etc. The long form is intended to be informative but it has limitations. Obviously it could not be as informative as a detailed report. It has some merit, but I doubt the desirability of continuing to attempt to deal with some aspects of the accounts when a practical length of certificate prohibits reference to the many matters usually found in a detailed report. The adoption of the British and Canadian practice of a short form of report (without necessarily adopting their wording) seems preferable. It is not possible to explain in either the short or long form all that the accountant has done to satisfy himself regarding the statements presented. The attitude of the client should be that he believes the accountant has carried out his audit work in the usual professional way before reporting and that there is, therefore, no need for more than a formal report, i. e., without elaboration as to specific items where the customary examination as to these has been carried out and they are correctly stated. This is especially so having regard to the development of a tendency to place explanatory and informative wording directly alongside certain balance-sheet and profit-and-loss account entries. The recommendation contained in the federal reserve board bulletin previously referred to is that "the auditor's certificate should be as concise as may be consistent with a correct statement of the facts." Permit me now to submit my suggestion as to a form of report (certificate):

Form of report for balance-sheet examinations

To the president (or To the board of directors, or To the stockholders, or To A. B. C. Company, Inc., or as otherwise required):

A. B. C. Company, Inc.,  
New York, N. Y.

We have examined the accounts relating to the assets and liabilities of the A. B. C. Company, Inc., as at December 31, 1930. In our opinion, based on our examination and information



furnished to us,\* the accompanying balance-sheet sets forth the financial condition of the company at that date.

(Signature)

New York,  
March 1, 1931.

Form of report for examinations for one year (or other period)

To the president (or To the board of directors, or To the stockholders, or To A. B. C. Company, Inc., or as may be required):

A. B. C. Company, Inc.,  
New York, N. Y.

We have examined the accounts of the A. B. C. Company, Inc., for the year ended December 31, 1930. In our opinion, based on our examination and information furnished to us,\* the accompanying balance-sheet and relative profit-and-loss and surplus accounts set forth the financial condition of the company as at December 31, 1930 and the result of the operations for the year.

(Signature)

New York,  
March 1, 1931.

These forms can be extended so as to incorporate explanations, qualifications or clarifying information, which may be considered essential, and at this point let me say that the basis of the valuation of inventories should always be shown either on the balance-sheet or in the report. With regard to the inclusion of any additional clauses the use of clear and concise language is imperative, also the avoidance of words which have a double meaning, while it seems pertinent to suggest that clients be advised as to what they ought to do to avoid the necessity for qualifying clauses in future reports.

Reference has been made above to the inclusion in the report, where necessary, of explanations, qualifications or informative comment. As a rule such exceptions and explanations will enable the accountant to deal briefly, yet adequately, with material and relevant matters consideration of which is essential or desirable for a proper understanding of the certificate-report and the accompanying statements, e. g., the balance-sheet. Cases may arise, however, where the material exceptions to be taken are so numerous as to transform the certificate substantially into a narration of major qualifications, which project queries and disclaim-

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\* Whenever necessary and applicable insert ". . . and subject to the qualifications (or 'observations,' or 'and observations') indicated . . ."

ers instead of conveying assurances, so that the essential character of the certificate is largely denatured by cumulative negations. Or again, the course of dealing as disclosed by the examination may engender doubt as to the integrity of the accounts, even though adjustments have been made for all errors disclosed by the examination. Such a condition may arise from loose business methods, transactions of doubtful validity, lack of good faith, or possibly a deliberate attempt to deceive. For example, there may be disclosed an attempt to bolster up the company by manifest manipulation of the accounts. These cases are not common, but they do occur.

Now I am not suggesting that the accountant should be arbitrary in his attitude nor should he be over-zealous in stressing technical niceties, but if he is confronted with some such situation as that indicated he should definitely refuse to issue a certificate-report but should submit the accounts with a detailed report setting forth the position in clear and definite terms.

While it is by no means the usual thing, yet often enough a certificate-report is read with casual concern as to the substance so long as it is formally complete with the accountant's certificate appended. Instances from one's own experience will attest that. Of course, the accountant is not accountable for whatever unfortunate consequences follow such carelessness or indifference; but where the circumstances so require he may forestall regrettable incidents by a complete, detailed report, thus avoiding possible misunderstanding from an indecisive reading of the compact statements of a formal certificate-report.

In a word, a certificate-report should not be issued unless it is warranted.

In considering the detailed report it may be remarked, indeed, I think it might be stressed, that clearness of statement is the first consideration and should not be sacrificed to brevity. "I labor to be brief and become obscure": thus admonished, we should recognize that while brevity is so excellent a quality, the primacy of perspicuity should not be challenged. Further, equivocal language is especially to be deprecated, and rightly so. Faulty drafting resulting in obscurity is bad enough, but adroit evasion by subtle phrasing is intolerable and, moreover, it may lead to far-reaching and disastrous consequences to which, as a matter of common prudence apart from other considerations, the accountant should not permit himself to be exposed.

In a case of great importance recently before the English courts it was observed: "It is so very easy for a clever person to put forward a document with regard to which he can rightly say 'every sentence is true,' and yet the document as a whole is false"; or, again, to emphasize the thought I am trying to impress upon you, "If by a number of statements you intentionally give a false impression and induce a person to act upon it, it is not the less false although if one takes each statement by itself there may be a difficulty in saying that any specific statement is untrue."

It is a serious thing to be answerable in damages in a civil suit for negligence, but to stand accused on a criminal charge arising out of professional duties, as was the accountant in the case to which I have referred, is about the utmost limit of malevolent circumstance which with Draconian severity moves to the final outcome, even though, as happily was the result in the instant case, the accountant is exonerated from the charge of wrong doing. But he was not spared the humiliation of having his probity and his high professional reputation, attested by a long and honorable career, publicly assailed as a subject of general, uninformed comment. In a man of deep sensibility the inevitable scars can never be erased.

No effort is too great and no care too exacting that safeguards the accountant in the performance of his duties from possible penalties such as that projected in the case mentioned and so, enjoining the greatest care and precision in preparing reports, as well as statements, I would offer as a warning word that "the fact without the truth is futile; indeed the fact without the truth is false."

Time does not permit nor does the occasion require any extended reference to the so-called balance-sheet audit, one feature of which, however, calls for brief mention in considering our subject. As is well understood, I think, the primary purpose of such an audit, or examination to use a preferable term, is the verification, within certain limits, of the financial position at a given date, usually the end of the fiscal period. The accounts, and particularly those relating to operations, are not examined in detail for a given period except so far as is essential to the stated purpose.

It seems clear enough, therefore, that it is inexact to state in the report that, for example, "the accounts have been examined for the year ended December 31, 1930," when, in fact, the ex-

amination has been restricted to the financial position at the closing date. Possibly the fault is one of repression rather than of meaning, but it is probable that, in the event of litigation or other dispute, the accountant would be held within the bounds of his formal statement of wider application than that intended. The inexactitude may thus prove a costly lapse, just as in a decided case the Erie Railroad was "held for words and nothing more," or at the best a troublesome experience in explaining the real intent and the restricted scope of the examination.

To repeat, then, a balance-sheet audit comprehends the examination of the financial position at a given date: the report should so state, instead of the erroneous "we have examined the accounts for the year." Perhaps this phase of our topic stands in no particular need of emphasis but certain cases have come to my attention that make the reminder—or, according to your viewpoint, the proposal—not untimely.

The addressing of the report to a person or body is done with the intention of making it clear for whom the examination is made and to recognize distinctly the party to whom the accountant is responsible.

As a measure of prudence the accountant's report should be specifically addressed to the party, or his accredited representative, with whom direct contractual relations exist. The following procedure is recommended:

- (a) Where it is known that the report will be issued to stockholders and the interested public, it should be addressed "To the board of directors."
- (b) Address the report "To the stockholders" when the appointment is made directly by them.
- (c) Address the report to a specific body, such as "The auditing committee" when the employment by it is direct or according to instructions or documents.
- (d) In the case of a one-man company, e. g., where the president is substantially in control of the capital stock, the report should be addressed "To the president."
- (e) Address the report "To the . . . company" when the conditions under (a), (b), (c) and (d) do not apply.
- (f) If the by-laws of a corporation or the requirements of a partnership deed provide that the report should be submitted to a specified person or body, such a provision should be recognized in the addressing of the report.

You will observe that certain words heretofore frequently used in such reports have been omitted from the forms I suggest. The use of a heading "certificate of auditors," and the words "certificate" and "certify" are omitted because they probably are liable to misinterpretation as implying a guarantee never intended.

The underlying idea is aptly illustrated in the following quotation from a recent issue of the *Wall Street Journal*:

"The profession is beginning to realize that because its activities are 'certified' to be within the law, it should not necessarily 'certify' the absolute identity of its figures with all the figures on the books of the corporation it has audited.

"When a lawyer is called on for an opinion, neither his client nor the public expect him to imply his licentiate by asserting that 'legally I opine' such and so. Why, therefore, should a certified public accountant be expected to say 'I certify so and so'? Both client and the public might well be better satisfied if the accountant should say: 'I have examined the records of the company, both in the books and elsewhere, and as a result I believe that the condition of affairs is correctly shown in the accompanying statements.'

"That is all it is humanly possible for him to do, in any case."

The words "verify" and "verification" suggest that the auditor has taken the responsibility of asserting that he has proved the truth of the items or statements referred to, whereas certain items or statements may be matters of judgment or opinion or their correctness may have been accepted on the basis of tests. The words "confirm" or "confirmation" may be more appropriate if such references must be made.

The words "correctly" or "properly" or "fairly" have heretofore appeared in some certificates in front of the words ". . . sets forth the financial condition . . ." These are omitted for the reason that they do not appear to be essential, more particularly in view of the use of the words "in our opinion, based on our examination and information furnished to us . . ." Further, at least as regards "correctly" and "properly," the elimination of them removes an emphasis which it is probably desirable not to convey, as such words might be interpreted as implying an accuracy or exactness not intended, especially where, and as is usual, the accounts contain items which, as to their valuation, are matters of opinion, or judgment, or their correctness has only been accepted on the basis of tests. The use of the words "in our opinion" is properly continued, for they serve as notice and

caution to the reader that the accounts reported upon contain elements of opinion or judgment based on facts ascertained, tests made or information furnished and considered. The use of the words "in our opinion" does not relieve an accountant of responsibility for negligence for he is required to use due care and diligence in forming an opinion. Again, the words ". . . and information furnished to us . . ." are considered essential because of the many instances where the accountant is dependent upon information furnished to him by persons having intimate knowledge of certain transactions as supplementary to the information contained in the accounts and the usual related vouchers and supporting data.

Because of its bearing, to some extent, on what I have stated, I should now like to quote Lord Plender's view of a balance-sheet as expressed by him in a recent legal case in London:

"Every balance-sheet is a summation of facts and opinions which should represent what, in the judgment of the directors, is a fair statement of the financial position of the company, having regard to the object for which it was formed and the existing circumstances and future maintenance of its business. It should be drawn up in such a manner as to afford the shareholders an adequate means of ascertaining, by perusal and inquiry, the value of their interests without disclosing information likely to cause loss or injury to the business. It is the province of the auditor to apply his trained mind to a critical examination of the balance-sheet with a view of seeing whether, in his opinion, it substantially fulfills these conditions. He is not required to certify to an exact state of affairs but he must be satisfied, in the light of the evidence available to him, that the balance-sheet is properly drawn up in accordance with customary usage."

To this, perhaps, I should add with some emphasis that the auditor is not responsible for executive policies and business procedure except as they are reflected in the accounts under examination. An accountant may, of course, advise his client on matters of business but any such service is quite apart from his duty as auditor; and a clear distinction should be made between the separate functions.

Some further brief consideration may be given to the words "in my opinion" since, singularly enough, there appears to be some misunderstanding as to their import and meaning in the setting with which we are immediately concerned—the accountant's certificate or report. The usage, in conjunction with the

discredited "we certify," probably accounts for the emergent misconception that, as a sort of routine procedure, sanctioned by practice, the words "in our opinion" are injected as though they formed a saving clause modifying the rather pretentious "I hereby certify"; or, again, it may be that the specialized, technical meaning, though really the true meaning, is confused with the loose connotations assigned in casual conversation, where fancy often roams with small restraint and less regard to the distinctions of tiresome, pedantic exactitude. A fleeting impression becomes an opinion, although reflection shows there is no ground for any opinion at all, for opinion should be based on judgment which implies observation, knowledge and reasoning. Still further, a contention is often summarily dismissed with the rejoinder: "Oh, that's merely your opinion." Well, there's no "merely" to be attached to the words "in my opinion" as used in an accountant's report where with controlling force they have a much deeper significance and form, so to speak, the cornerstone of the whole structure. In the first place "in my opinion" means that the accountant has exercised his own independent judgment and is not formulating a series of impressions or the views of others and, secondly, it is implied that such judgment is based on an adequate examination of the facts with due professional skill and is believed to be true. Thus, to summarize, "in my opinion" conveys the assurance of (a) an independent judgment, believed to be true, and (b) the exercise of proper skill by one competent to form that judgment. While I know that the significance to be attached to an opinion, formally expressed in a report, and the responsibility therefor, are well understood by the large body of accountants, it does seem pertinent to seek to remove by timely admonition the lingering misconception that persistently out-crops.

I would caution accountants to be sure that they have a clear understanding with clients as to the nature of their employment, for the nature of the employment will govern the character and extent of the responsibility assumed. In making such arrangements, accountants should make it clear as to (1) the person with whom the engagement is made, (2) the person or body for whom the examination is to be made and to whom the report is to be directed, (3) the character or nature and extent of the work to be done, (4) the fact that the accountant is not a guarantor as to the discovery of irregularities, and the obligation of the client to

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maintain appropriate measures of internal control as the principal safeguard against such irregularities, and (5) the basis of compensation.

Vigilance should be exercised as to the manner in which reports are used, especially in cases where copies are ordered for delivery by the accountant to third parties. Such parties, at the time of delivery, should be informed, in effect, that the report is based on an examination made on behalf of and in accordance with the terms and conditions of the arrangement with the client.

Anything like a full discussion of many of the important features of our topic would greatly exceed the time allotted, while other related matters of pertinence have had to be omitted. However, the salient points to which I have directed attention will, I trust, arouse some measure of interest and promote that full consideration on which rests a clear understanding of our duties and responsibilities.