

The Role of the Statutory Auditor in Assessing the Function of Accounting Policies

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Abstract

Objective: The objective of this study is to highlight the role of the statutory auditor in verifying the implementation of accounting policy functions.

Research methodology / approach: The primary research methods include an assessment of national audit standards and professional studies, as well as an in-depth review of academic literature.

Findings: The article defines the tasks of the statutory auditor in evaluating the implementation of various accounting policy functions in financial reporting. It also outlines the audit risks associated with specific accounting policy functions and their impact on the auditor's opinion in the audit report.

Research limitations / implications: A limitation of this study is that its conclusions are drawn primarily from academic literature, audit standards, and professional publications. Conducting empirical research in this area could provide valuable insights for regulators, statutory auditors, audit firm managers, as well as users of financial statements and audit reports.

Original contribution / value: The value of this study lies in its structuring of theoretical and practical knowledge regarding the significance of auditing accounting policies. The lack of comprehensive academic research in this area highlights a knowledge gap, which this article partially addresses. It contributes to a better understanding of the importance of verifying the correctness of the implementation of accounting policy functions.



Keywords: Auditor, statutory auditor, financial audit, financial review, accounting policy, estimation, disclosures, financial statement

Introduction

The primary task of a statutory auditor during a financial statement audit is to express an audit opinion on whether the financial statements provide a true and fair view of the entity's financial position and performance in accordance with applicable accounting and financial reporting regulations, as well as the "adopted accounting principles" (policy) (Act, 2017, Article 83(3)(8)). This statutory requirement underscores the importance of assessing the consistency and appropriateness of accounting policies by the statutory auditor.

In a business entity, accounting policy generally refers to a set of principles, procedures, and guidelines under which the entity maintains its accounting records and prepares financial statements. Accounting policy serves various functions within an entity's accounting system, and its implementation can impact the reliability of financial statements. The most significant functions of accounting policy include: regulatory function, control function, managerial-strategic function, communication function, and reputational function (Zyznarska-Dworczak, 2024). The importance of these functions and their implementation may vary across entities, as management may tailor accounting policies to meet the diverse needs of stakeholders. As a result, there is a risk that accounting policies could be used as a tool to manipulate financial information presented in the financial statements.

One of the factors increasing the risk of manipulation of financial and non-financial results in modern corporate reporting is the current state of economic and business uncertainty (for more information, see e.g., Austin, 2022; Chen et al., 2022; Hou et al., 2021; IESBA, CPA, 2020; Ozili, 2021; Rostami, Rezaei, 2022; Sundarasan et al., 2024; Zhu et al., 2021; Zyznarska-Dworczak, 2022). Such uncertainty may lead to selective disclosures aimed at masking the full financial and non-financial consequences of business activities, for example, through incomplete or misleading presentation of financial results in the financial statements. From the perspective of a statutory auditor conducting a financial statement audit, it is crucial to assess the correctness of the adopted accounting principles and to use them as the primary criterion for evaluating the accuracy of financial statement presentation and disclosures.

A review of academic literature and professional studies indicates a lack of comprehensive research in this area, highlighting a knowledge gap. This article partially addresses this gap by exploring the role of the statutory auditor in verifying the implementation of accounting policy functions. To achieve its research objective, the

study utilises an analysis of audit standards and an in-depth review of academic and professional literature. This approach allows for defining the key functions of accounting policy in financial reporting, and then identifying audit procedures used by statutory auditors in evaluating accounting policies. The procedures were presented in relation to verifying the correctness of the accounting policy applied by the audited entity, as well as the verification of the accuracy of accounting records, including their compliance with the applicable accounting policy. The role of the statutory auditor in assessing the correctness of the implementation of individual accounting policy functions and their impact on the reliability of financial statements was also examined. The conclusion section also discusses the impact of modern economic and business uncertainty on the statutory auditor's assessment of accounting policy functions. Additionally, the article identifies future research directions related to accounting policy and its significance in financial audit practices. The article's implications are both theoretical and practical.

1. The Importance and Determinants of Accounting Policy

The importance of accounting policy has been widely discussed in academic literature, with various studies examining its functions from both macroeconomic and microeconomic perspectives (Robson, 1993; Hendriksen, von Breda 2002; Hope, 2003; Pfaff, 2014; Zyznarska-Dworczak, 2024). In the microeconomic perspective, adopted as the framework for this study, accounting policy refers to a set of accounting standards, opinions, interpretations, rules, and regulations governing the bookkeeping and financial reporting of a specific business entity. It is thus a key instrument in the accounting system, directly influencing the accuracy of financial statements.

The normative framework in national and international accounting law highlights the following aspects of accounting policy in the accounting system:

1. The Accounting Act (Article 3(1)(11)) defines accounting policy as equivalent to “adopted accounting principles”, meaning “*the solutions selected and applied by an entity as permitted by law, including those specified in IAS, ensuring the required quality of financial statements*” (Act, 1994);
2. KSR 7 (2018, para. 2.1) adopts the definition of accounting policy in accordance with the Accounting Act.
3. International Accounting Standards define accounting policy as “*specific principles, methods, conventions, rules, and practices adopted by an entity in preparing and presenting financial statements*” (IAS 8, 2008, para. 5).

Accounting policy entails the adoption of specific accounting principles in the form of an official document within an entity, specifying the financial year and reporting periods, the methods for assets and liabilities measurements, as well as determining financial results, the bookkeeping system, and the data protection and security framework. The primary objective of accounting policy is to regulate the accounting system so that its individual components comply with financial reporting laws, particularly in enabling the implementation of overarching accounting principles. Moreover, management makes specific choices within the accounting policy, selecting from permissible universal principles or developing customised solutions for unregulated matters. Examples of discretionary choices and their impact on financial statements (for more information, see Głębocka, 2014) include:

1. Determining the financial year for seasonal businesses, which affects the financial statement, including the valuation and level of inventories and sales performance;
2. Simplifications in product valuation, such as disregarding production capacity utilisation under Article 28(4a) of the Accounting Act, or valuing work-in-progress and unfinished production at the level of direct production costs, direct material costs, or omitting valuation altogether, which may lead to erroneous conclusions about operational efficiency based on financial statement data;
3. Management judgment in applying the prudence principle, particularly regarding specific valuation rules, including the mandatory revaluation of inventories or receivables no later than the balance sheet date.

These lawful choices in accounting policy indicate that the adopted solutions in an entity's accounting policy can be viewed as an instrument of its autonomy and a means of influencing the content of financial statements. This also justifies the statutory obligation to disclose the adopted accounting principles (policy) in the introductory section of the financial statements (Article 48(1)(1) of the Accounting Act). The usefulness of financial statement information depends on understanding the disclosed rules according to which it was prepared.

The choice of accounting policy by a business entity is a complex process, influenced by various internal and external factors. The main determinants include:

1. Legal regulations and accounting standards applicable in a given jurisdiction;
2. The characteristics of the entity, such as ownership structure, membership in a capital group or other structures, size and organisational system, tax system, financial reporting format (full or simplified), management and accounting organisation, cost structure, cost calculation methods, pricing methods, and the scope of non-financial reporting;

3. The nature of the business, which influences the recognition of balance sheet and income statement categories (e.g. financial instruments, long-term contracts);
4. The industry characteristics and the specifics of business activities, such as the construction sector or banking;
5. The strategy and goals of the enterprise, e.g., profit maximisation, long-term value strategy, influencing the perception of the entity by contractors, competitors, and other stakeholders;
6. Various stakeholder expectations, such as:
 - expectations of investors and financial analysts seeking short-term profit maximisation,
 - expectations of owners expecting stable company growth and long-term sustainable profitability beyond a single financial year,
 - expectations of employees seeking job security, salary growth, benefits, career development opportunities, and an employer with a strong commitment to social and environmental responsibility,
 - expectations of society for responsible and sustainable value creation, including contributions to the development of local communities.

The development of accounting policy, covering the necessary sections for preparing financial, tax, statistical, and managerial reports, as well as the management report, forms the foundation of an integrated accounting system.

2. Functions of Accounting Policy and Their Impact on Financial Statements

The analysis of the significance and determinants of accounting policy indicates that it serves multiple functions. The primary functions of accounting policy include the regulatory, control, managerial-strategic, communication, and image functions (Zyznarska-Dworczak, 2024). The regulatory function of accounting policy arises from the obligation of a business entity's management to establish principles governing its accounting system in accordance with financial reporting law. Management is therefore required to:

- (1) establish the accounting principles applied in the entity,
- (2) ensure the quality of financial statement information, including its reliability, comparability, clarity, and credibility,

- (3) take responsibility for bookkeeping and preparing the financial statement in compliance with the adopted accounting policy.

The regulatory function of accounting policy involves establishing normative frameworks and enforcing compliance with these standards. In particular, it defines solutions based on discretionary choices regarding accounting methods and principles that best align with the entity's specific needs and objectives. By applying these principles, accounting policy aims to provide financial statement users with an accurate and comprehensible understanding of the company's financial position. Additionally, it ensures the comparability of financial data. By establishing uniform accounting standards and guidelines for data presentation, accounting policy enables the comparison of a company's financial results over time, as well as across different companies, facilitating the tracking of changes in their financial position.

The regulatory function of accounting policy also allows management to oversee the accounting system and enforce regulatory compliance. At this point, attention should also be drawn to the risk of incorrect selection of accounting principles, inconsistency in their application, or deliberate manipulation of financial results through accounting policy (for more information, see Maruszewska, 2020; Zyznarska-Dworczak, 2024). This risk underscores the need to assess the implementation of the regulatory function of accounting policy, which is typically conducted through internal control mechanisms, supervisory board oversight (including the audit committee), and the audit of financial statements performed by a statutory auditor. In this sense, the regulatory function is directly linked to the control function of accounting policy. Since accounting policy establishes the mandatory accounting standards and financial reporting principles within an entity, it serves as the main criterion for evaluating the correctness of the accounting function — both for internal controls and for external oversight (such as tax audits or financial audits).

The control function of accounting policy is designed to ensure that bookkeeping and financial reporting comply with applicable accounting standards and regulations. This function encompasses:

- supervising compliance with accounting standards and ensuring that all transactions and operations are recognised, measured, and reported in accordance with the adopted principles,
- verifying the accuracy of financial data, including checking for completeness, precision, and reliability,
- ensuring the entity's compliance with applicable laws and accounting standards, including keeping up with regulatory and standard-setting updates,

- detecting irregularities and ensuring the integrity of financial reporting,
- identifying and preventing fraud through the implementation of control procedures and risk monitoring mechanisms,
- improving the accounting process by identifying areas that require enhancement and introducing necessary modifications to increase the efficiency and effectiveness of the accounting system.

Accounting policy also serves a managerial-strategic function, as it may be part of the broader corporate policy or strategy of a business entity, acting as a tool for achieving its strategic goals (Alayemi, 2015; Hope, 2003; Zyznarska-Dworczak, 2024). Accounting policy can thus support decision-making processes for management and assist in evaluating the financial impact of strategic decisions. In addition to the aforementioned discretionary choices in measurement and valuation methods, management may also define the level of disclosure concerning uncertainties related to the entity's going concern status, including a description of undertaken or planned actions to mitigate such uncertainties. Moreover, it may include disclosures about other significant factors that could materially affect the financial position and financial performance of the entity, such as its sustainable development results (see Annex 1 to the Accounting Act, points 9 and 10 of the additional note).

Accounting policy is intended not only to support strategy implementation but also to communicate the entity's reliable achievements to stakeholders through financial reporting. This is the core principle of the communication function of accounting policy. This function operates as a feedback loop: the entity presents the achievements expected by financial statement users while simultaneously attempting to influence their perceptions and decisions. Management decisions determine the level of detail and scope of financial statements, thereby shaping the entity's communication with its stakeholders. Thus, management uses the financial statement as a tool for engaging with stakeholders, fulfilling both the communication and image functions of accounting policy.

A deliberate approach to accounting policy, tailored to stakeholder information needs, may also be used as a tool for impression management (for more information, see Clatworthy and Jones, 2003; Jaworska and Bucior, 2020; Lu and Burke, 2019), or as a means of legitimising the entity's desired status (see Zyznarska-Dworczak and Fijałkowska, 2018; Kent and Zunker, 2013). These mechanisms also support the image function, which aims to strategically shape the entity's public perception through accounting policy choices (Świetla and Zieniuk, 2017).

However, exceeding the acceptable limits of the image function involves the use of aggressive (fraudulent) creative accounting techniques, such as applying overly optimistic assumptions for future cash flow estimations, underestimating provisions for risks and future losses, or overvaluing assets by failing to disclose impairment losses. Misuse of the communication and image functions of accounting policy not only concerns unreliable data presentation in financial statements but also extends to disclosures, including:

- 1) failure to disclose information on applied accounting methods and assumptions,
- 2) insufficient disclosures in financial statements,
- 3) unclear or incomprehensible disclosures regarding accounting principles for financial statement users,
- 4) inconsistencies between disclosures and the actual accounting principles applied,
- 5) selective disclosure of the entity's social and environmental impact or its approach to uncertainty during periods of economic instability.

Proper implementation of the image function requires disclosing accounting policies using language that is clear for stakeholders, ensuring a comprehensive scope of information, as required by financial reporting law and expected by stakeholders.

In summary, the implementation of the various functions of accounting policy is driven by the diverse needs of the reporting entity's stakeholders. Consequently, the scope and importance of each function may vary between entities, ultimately influencing the credibility of financial statements.

3. Assessment of the Functions of Accounting Policy from the Perspective of Risks and Their Impact on the Financial Statement by the Statutory Auditor

As outlined in this study, accounting policy serves various functions aimed at fulfilling the expectations of stakeholders within a given business entity. However, the attempt to balance the interests of owners and other stakeholders may become a factor facilitating manipulation of information in the financial statement (Karmańska, 2008). The risk of material misstatement in the context of the functions of accounting policy refers to the likelihood that the accounting policy will fail to provide a fair and reliable representation of the financial position and performance of the entity.

Due to the significance of accounting policy in ensuring the fundamental qualitative characteristics of the financial statement, the requirement for its assessment by the auditor is explicitly stated in the Act on Statutory Auditors, Audit Firms, and Public Oversight (Act, 2017). According to Article 83(3)(8) of the Act, the statutory auditor expresses an opinion on whether the financial statement provides a true and fair view of the financial position and performance of the audited entity in accordance with applicable accounting and financial reporting regulations, as well as with the “adopted accounting principles (policy).” The National Auditing Standards applicable in Poland do not include a specific standard dedicated to the audit of accounting policy. However, concerning the audit of accounting policy, the following standards oblige the auditor to:

- 1) KSB 315 (Z), para. 19(b) – perform risk assessment procedures to obtain an understanding of the applicable financial reporting framework, and the entity’s accounting policies and the reasons for any changes thereto;
- 2) KSB 315 (Z), para. 20 – evaluate whether the entity’s accounting policies are appropriate and consistent with the applicable financial reporting framework;
- 3) KSB 330 and KSB 540 (Z) – identify the risk of misapplication of accounting policies by examining specific material financial statement items, particularly in the audit of accounting estimates, including also assessing whether management has implemented an internal control process for financial reporting related to the determination and disclosure of accounting estimates, including (ISA 540 (Revised), 2020, para. A22):
 - selecting appropriate accounting policies and determining estimation processes, including relevant estimation or measurement methods and, where applicable, models;
 - developing or identifying relevant data and assumptions that affect accounting estimates;
 - conducting periodic reviews of circumstances necessitating the determination and disclosure of accounting estimates and updating them when necessary;
- 4) KSB 700(Z), KSB 705 (Z) and KSB 706 (Z) – if deficiencies are identified in the design or application of accounting policies, the auditor should modify the opinion in the auditor report accordingly.

As a result, the fundamental scope of the audit of accounting policy by the statutory auditor includes:

- (1) verification of the compliance of accounting policy with applicable legal and accounting standards,
- (2) assessment of the adequacy of the adopted policy solutions in relation to the entity’s business activities,

- (3) evaluation of the correct application of accounting policy and consistency of the applied solutions with those outlined in the policy,
- (4) assessment of the adequacy of disclosures in the financial statement regarding the adopted and applied accounting policies.

Within this fundamental scope, the statutory auditor assesses the accuracy of the implementation of the regulatory function by applying audit procedures to verify the correct application of the policy and the proper maintenance of accounting records in compliance with the adopted policy. In turn, the evaluation of the control function of accounting policy is conducted by verifying whether the accounting policy is appropriately designed to identify and correct errors and irregularities. The review of procedures ensuring compliance with accounting policy within the entity may be supplemented with control testing to assess the effectiveness of internal controls in this area. Concerning the remaining functions of accounting policy, the auditor evaluates the risk of manipulating accounting policy for managerial, communication, or image purposes. To this end, the auditor conducts a risk assessment of exceeding the limits of financial reporting law by misrepresenting the financial position and performance in the financial statement or tailoring disclosures to meet stakeholders' informational expectations.

The assessment of risk factors associated with incorrect design and application of accounting policy, as well as the statutory auditor's approach to its evaluation in relation to specific functions of accounting policy, is presented in Table 1.

Table 1. Functions of Accounting Policy in the Context of Risk Factors Related to Its Improper Design, Misapplication, and Auditor's Assessment.

Function of Accounting Policy	Risk Factors Related to Improper Design of Accounting Policy	Risk Factors Related to Misapplication of Accounting Policy	Statutory Auditor's Assessment of Accounting Policy
Regulatory Function	<ul style="list-style-type: none"> – Complexity of accounting regulations and standards; – Lack of adequate knowledge and experience among those responsible for preparing and applying the accounting policy; 	Accounting policy <ul style="list-style-type: none"> – Non-compliant with applicable accounting regulations and standards; – Unclear or imprecise; – Not applied consistently; 	<ul style="list-style-type: none"> – Basic scope of policy audit*; – Understanding the entity's operations and its environment; – Assessment of inherent risk and control risk related to accounting policy;

Function of Accounting Policy	Risk Factors Related to Improper Design of Accounting Policy	Risk Factors Related to Misapplication of Accounting Policy	Statutory Auditor's Assessment of Accounting Policy
<p style="text-align: center;">Regulatory Function</p>	<ul style="list-style-type: none"> – Failure to update the accounting policy in response to changes in legal environment; – Errors in IT systems used for bookkeeping; – Deliberate manipulation of accounting policy to achieve specific goals; – Risk of sanctions from supervisory authorities. 	<ul style="list-style-type: none"> – Failing to consider the entity's specific operations. – Errors and irregularities in accounting/tax records leading to sanctions from supervisory authorities. 	<ul style="list-style-type: none"> – Assessment of inherent risk and control risk related to accounting policy; – Performing control tests to evaluate the effectiveness of internal control over accounting policy; – Conducting analytical procedures to identify potential errors or irregularities in financial statements.
<p style="text-align: center;">Control Function</p>	<ul style="list-style-type: none"> – Lack of proper oversight over the implementation and compliance with the accounting policy; – Lack of control over the accounting system; – Ineffective internal audit function or its absence; – Lack of training for those responsible for preparing and applying the accounting policy; – Absence of rules for updating the accounting policy; – Deliberate manipulation of accounting policy to achieve management's objectives. 	<ul style="list-style-type: none"> – Overly general accounting policy that does not allow for identifying errors and irregularities in accounting records; – Lack of updates to the accounting policy to reflect current changes in accounting standards and other regulations. 	<ul style="list-style-type: none"> – Basic scope of policy audit*; – Assessment of control risk related to accounting policy; – Obtaining explanations and information from management regarding control procedures over the accounting system, evaluating their accuracy and effectiveness; – Analysis of internal control results concerning the enforcement of accounting policy; – Performing control tests to evaluate the effectiveness of internal control over accounting policy;

Function of Accounting Policy	Risk Factors Related to Improper Design of Accounting Policy	Risk Factors Related to Misapplication of Accounting Policy	Statutory Auditor's Assessment of Accounting Policy
<p style="text-align: center;">Managerial- -Strategic Function</p>	<ul style="list-style-type: none"> – Lack of proper oversight over the implementation and compliance with the accounting policy; – Lack of alignment between the accounting policy and the entity's objectives and strategy; – Absence of mechanisms to measure and assess the impact of accounting policy on the strategy; – Failure to update the accounting policy in response to economic or technological changes; – Lack of clear and transparent valuation principles in the accounting policy; – Lack of disclosure of accounting principles in the financial statements; – Incorrect identification and assessment of risks associated with accounting policy; – Lack of flexibility in adapting the accounting policy to changing conditions. 	<ul style="list-style-type: none"> – The accounting policy does not reflect the entity's specific operations and development strategy; – Applied accounting solutions do not align with current trends and best practices; – Irregularities arising from a failure to update the accounting policy; – Deficiencies in disclosures of accounting principles in the financial statements. 	<ul style="list-style-type: none"> – Basic scope of policy audit*; – Statutory auditor's assessment of whether management prioritizes the managerial-strategic function of policy over its regulatory function, specifically: <ol style="list-style-type: none"> 1) The appropriateness of choices made within the policy framework and their alignment with strategic assumptions; 2) Assessment of management's strategic assumptions and their consideration in accounting policy regarding going concern; 3) The adequacy of disclosures related to accounting policy in financial reporting.

Function of Accounting Policy	Risk Factors Related to Improper Design of Accounting Policy	Risk Factors Related to Misapplication of Accounting Policy	Statutory Auditor's Assessment of Accounting Policy
<p style="text-align: center;">Communication Function</p>	<ul style="list-style-type: none"> – Lack of mechanisms to control and monitor compliance of disclosures with accounting policy; – Failure to tailor the accounting policy to the entity's specific operations and environment; – Lack of flexibility in adapting the accounting policy to the evolving informational expectations of stakeholders; – Deliberate manipulation of accounting policy to mislead users of financial statements. 	<ul style="list-style-type: none"> – Miscommunication of accounting policy in financial statements, e.g.,: <ol style="list-style-type: none"> 1) Use of complex and unclear language; 2) Selective presentation of information; 3) Concealment of information that may negatively impact stakeholders; – Intentional misrepresentation of financial position and performance. 	<ul style="list-style-type: none"> – Basic scope of policy audit* – Assessment of whether ... Misleading users of financial statements through improper communication of accounting policy in the financial report.
<p style="text-align: center;">Image Function</p>	<ul style="list-style-type: none"> – Prioritisation of the image function over the regulatory and control functions of accounting policy; – Legitimation of a desirable corporate status; – Lack of control mechanisms ensuring the transparency of financial statements and their consistency with corporate values and culture, e.g., regarding the company's social and environmental impact; 	<ul style="list-style-type: none"> – Use of creative accounting techniques in violation of accounting principles; – Fraudulent practices in communicating accounting policy, selective disclosures. 	<ul style="list-style-type: none"> – Basic scope of policy audit*; – Assessment of the transparency of accounting policy and financial reporting through the use of clear and understandable language and the disclosure of all relevant information; – Assessment of the materiality of distortions in financial position and performance, evaluation of the risk of stakeholders making incorrect investment and

Function of Accounting Policy	Risk Factors Related to Improper Design of Accounting Policy	Risk Factors Related to Misapplication of Accounting Policy	Statutory Auditor's Assessment of Accounting Policy
Image Function	<ul style="list-style-type: none"> – Strong dependence of the entity's results on stakeholder trust, including investors, creditors, and analysts. 		business decisions based on financial statements.

* The basic scope of the audit of accounting policy by the statutory auditor includes:

- (1) verification of the compliance of accounting policy with applicable legal and accounting standards,
- (2) assessment of the adequacy of the adopted policy solutions in relation to the entity's business activities,
- (3) evaluation of the correct application of accounting policy and consistency of the applied solutions with those outlined in the policy,
- (4) assessment of the adequacy of disclosures in the financial statement regarding the adopted and applied accounting policies.

Source: Own elaboration.

As presented in Table 1, each function of accounting policy carries various risks related to its improper design and application. The auditor, adjusting audit procedures to the potential audit risk, ensures that the audited entity does not use accounting policy as a tool for fraudulent accounting. The statutory auditor's conclusions, supported by appropriate and sufficient audit evidence, require an appropriate consideration in the audit report, proportionate to the materiality of potential irregularities, and possible modification of the opinion (Zyznarska-Dworczak, 2024). If the accounting policy is found to be non-compliant with applicable regulations and accounting standards or is not properly applied, the statutory auditor may recommend that the entity's management adjust the accounting policy and the financial statements accordingly or recommend that the entity's management implement appropriate procedures to ensure consistent application of the accounting policy. In case of management's inaction, the auditor assesses the materiality of its impact on the financial statements and considers including in the audit report:

- an explanatory paragraph indicating the nature and scope of the irregularities;
- a qualified opinion, if significant but non-pervasive irregularities are found, specifying their effects on the financial statements;
- an adverse opinion, in the case of pervasive and material irregularities, outlining their scope and effects on the financial statements.

The statutory auditor's assessment of the correct implementation of the functions of accounting policy in the audited entity requires professional scepticism. Given the increasing economic and business uncertainty, a sceptical approach in this regard is becoming even more critical (Zyznarska-Dworczak, 2023b).

Conclusion

This article presents the significance of accounting policy in both theory and practice of financial audit. It demonstrates that accounting policy is an integral part of the financial statements, essential for the statutory auditor's assessment of their reliability. Given the lack of scientific research on the functions of accounting policy, their impact on financial statements, and the statutory auditor's procedures for addressing related risks, this article attempts to fill this research gap, positioning accounting policy as one of the key criteria for assessing the accuracy of an entity's financial reporting.

Within the regulatory, control, managerial-strategic, communication, and image functions of accounting policy, the article identifies risk factors associated with policy misdesign and misapplication, highlights potential irregularities, and outlines the required approach of the statutory auditor. It establishes that the statutory auditor's conclusions from the financial statement audit should eliminate the risk of misuse of accounting policy functions.

This article has numerous scientific and theoretical implications. The importance of accounting policy functions in ensuring the credibility of financial statements, as well as the need to verify their proper implementation, may serve as a valuable source of information for regulators, statutory auditors, and audit firm managers, as well as for financial statement users and audit report users.

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