

ETHICS AND INTEGRITY OF THE PROFESSIONAL ACCOUNTANT

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Abstract: *Since the emergence of accountancy and financial audit, ever since Antiquity, to this day, the professional accountant's role has constantly acquired new nuances and valences at every stage of the evolution of human societies. The history of accountancy and audit unequivocally proves that the accountant's professional competencies have always been based on certain demands related to the professional accountant's ethics and morality. Nowadays, perhaps more than ever in society's evolution, the strict compliance by all professional accountants, whether auditors or accountants, with the requirements imposed by the Code of Ethics for Professional Accountants, adopted by International Ethics Standards Board for Accountants (IESBA) is required.*

Key words: *professional accountants, Code of Ethics, IFAC, independence*

1. Introduction

The emergence and development of financial audit is closely related to the emergence and evolution of accountancy. Accountancy and audit are among the oldest professions in the world (Neamţu, Roman and Țurlea, 2012). Ever since Antiquity, when the bases of accountancy were laid in its incipient form, there was a need to identify frauds and to punish the perpetrators, a need that generated the first rudimentary financial-audit practices. Interestingly, in Antiquity, the professionals who were called to conduct verifications regarding errors and frauds, were priests and accountants, recognised for their moral qualities. Therefore, in the field of accountancy, due to the accounting professional's role to produce and communicate quantitative and qualitative information related to assets and, subsequently, through the financial auditor's mission to validate this information, a special emphasis has always been placed on the accounting professional's ethics and morality, be him/her either auditor or accountant. Until the 16th century, the auditing practices mostly aimed at verifying the honesty of the persons who had financial responsibilities (Dobroţeanu and Dobroţeanu, 2002). Moreover, until the 18th century, the auditing works were conducted by priests and accountants, recognised for their moral qualities and were requested by kings,

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emperors, church, and state (Morariu and Țurlea, 2008).

In the third decade of the 20th century, with the Great Economic Crisis, which was also driven by the manipulation of the accounting figures, the general public lost confidence in the accounting professionals' activity, especially in the field of financial-information reporting, which is fundamental in the decision-making process. The profession of financial auditor acquired new credentials in 1933, when the New York Stock exchange required the listed companies to submit the financial statements, certified by an independent accountant and to attach the audit report (Stoian and Țurlea, 2001). This approach is related to the need to restore investor confidence in the accounting professional's ability to communicate financial information which reflects the company's true image.

In the last century, due to financial scandals, the development of the audit was conditioned by the need to mitigate conflicts of interest between companies and users of financial information: investors, banks, state, employees, public. The accounting professional, whether auditor or accountant, by the nature of his/her activity, must be independent and equidistant, so that the financial information which (s)he produces and disseminates can protect the informational interests of all categories of economic actors, who become the users of the financial information produced and communicated by accountants and subsequently validated by the financial auditor. Contrary to this need, the great financial scandals of the early 21st century, caused by Enron, Xerox, Parmalat etc., prove, once again, that in the financial-accounting activity it is necessary, more than in any other liberal profession, for the multiple professional competences to be doubled by the compliance with strict requirements of professional ethics. In our days, accountancy turned into a „social game”, because economic decisions are adopted on the basis of accounting information and can influence the well-being of the individuals and of the social groups, turned into actors of this game, which has precise rules and, moreover, stakes represented by the created wealth. It is a rough game in which people can win only if they have access to relevant, credible, and comparable information in time and space (Lapteş, 2009).

Finally, yet importantly, due to the challenges of this century, mainly related to the globalization of economies and to the development of informational technologies, the accounting professionals' social responsibility has increased, as they play a decisive role in the protection against national and international frauds, including the fight for preventing and combatting money laundering and terrorist financing. In this context, at the international level, the International Federation of Accountants (IFAC), whose mission is to strengthen the accounting profession worldwide, so as to provide high-quality professional services in the general public's interest, established the International Ethics Standards Board for Accountants (IESBA), with the role of elaborating the Code of Ethics for Professional Accountants (Popescu, Lepădatu and Popescu, 2009).

2. Research Methodology

The fundamental objective of this study is the analysis of the approach initiated by the

International Federation of Accountants (IFAC) and subsequently taken over by Romania, through the two representative professional bodies for the accounting profession in our country, namely The Body of Expert and Licensed Accountants of Romania (B.E.L.A.R.) and Chamber of Financial Auditors of Romania (C.F.A.R) in order to strictly define and implement ethical and professional conduct requirements, which define any professional accountant's activity.

In order to achieve this objective, a fundamental research, of normative type, was conducted, which supposes studying the main specialized work dealing with the approached topic, as well as analysing the content of the Code of Ethics for Professional Accountants adopted by IFAC upon the proposal of IESBA.

By the content of this study, answers will be formulated to questions such as:

- What are the main objectives of the accounting professional's activity, internationally?
- What is the structure of the Code of Ethics for Professional Accountants adopted by IFAC?
- What are the accounting professional's main principles in terms of professional ethics, established by the content of the Code of Ethics for Professional Accountants adopted by IFAC?
- What are the main restrictions that may affect the much-needed independence of the professional accountants around the world?
- What are the implications of the Code of Ethics for Professional Accountants adopted by IFAC for the professional accountants in Romania?

3. Research Results

The Code of Ethics for Professional Accountants was published in 1992 by the IFAC Ethics Committee and replaced the IFAC Directions on the accounting professionals' ethics, adopted in 1990, which established lower ethical requirements (Neamțu, Roman and Țurlea, 2012). This Ethical Code is recognised in the literature under the simplified name of IFAC Ethical Code, a name that we will refer and relate to in this study, as well.

The main feature of the IFAC Ethical Code is the dynamics of updates and modifications. Starting from a series of practical cases, which have meant dilemmas of ethical behaviour for the accounting professionals, since 1992 and to this day, the content of the IFAC Ethical Code has been permanently updated and improved, its last version having been published on the site of www.ifac.org in 2015.

The IFAC Ethical Code was elaborated to support the accounting professionals, whether financial auditors or accountants, regardless of their position, practitioners in public practice or employees. The IFAC Ethical Code is internationally recognised, and the fundamental principles established by its content can be adopted by the accounting profession in any country. The values of this Ethical Code are built starting from the fact that the accounting professional worldwide has a major duty towards society and, implicitly, must serve, through his activity, the public interest (Fülöp, 2014).

From the perspective of the IFAC Ethical Code, the main goals of the accounting profession are to meet the general public's expectations regarding the fulfilment of the

highest standards of professionalism, which would ensure the performance of the financial-accounting activity and therefore guarantee the expectations of the public interest. In order for any professional accountant to reach these goals, he needs four basic requirements: credibility, professionalism, quality of services and trust (Stoian and Turlea, 2001).

The accounting professionals' Code of Ethics, the 2015 edition, elaborated by IESBA, within IFAC, is complex, has 176 pages and is structured in three parts (C.F.A.R., 2016):

- part A, which gathers the fundamental ethical principles for the professional accountants, as well as the conceptual framework, which must be observed in order to identify the possible threats to the ethical behaviour;
- part B, which is addressed to the professional accountants in public practice;
- part C, which includes the ethical requirements imposed on the employed professional accountants.

Internationally, by the IFAC Ethical Code, five fundamental principles were established, which must be observed by all professional accountants, whether accountants or auditors, as follows: integrity; objectivity; professional competence and due attention; confidentiality and professional conduct.

Integrity requires all professional accountants to be direct, honest, and sincere in their professional relations with the customers. The principle of the accounting professional's objectivity demands fairness and the avoidance of the conflicts of interest or of the external pressures, which might lead to expressing different opinions from the real situation (Munteanu, 2016). Professional competence and due attention bring about the obligation to permanently comply with the specific laws, regulations, and standards, as well as the continuous professional improvement and therefore the improved quality of the professional services offered to the general public (Popescu, Lepădatu and Popescu, 2009). Considering the specificity of the professional activities, the IFAC Ethical Code required all accounting professionals to constantly abide by the principle of confidentiality in the framework of the professional services. Therefore, no professional accountant may disclose, during the mission, or after the completion of the collaboration with the client, of the professional services, the information he has accessed during the professional activity, without the client's authorization or a legal authorization (Munteanu, 2016). The professional conduct is the principle that draws the accounting professionals' attention to behave, under all circumstances, both in the working environment and in society, so as not to discredit the accounting profession by their deeds, attitude or behaviour.

IFAC Code of Ethics, along with the five fundamental principles, insists on the accounting professional's need of independence within the professional services. Furthermore, IFAC Ethical Code distinguishes between the independence of spirit and the independence in appearance. It is important, in the field of the professional services of accountancy and audit, for the professional accountant to prove independence of spirit, which refers to that state of spirit, which ensures the expression of opinions and solutions, unaltered by external influences and pressures that may influence professional judgement. The independence of spirit is the internal and unnoticeable component of independence. The independence in appearance (in fact - *de facto*) is the

external, noticeable and provable component of independence and it deals with those situations where an informed person may conclude, at a certain point, that the accountant's integrity and objectivity were compromised (Țurlea and Mocanu, 2011).

In part B of IFAC Code of Ethics, freely reserved for professional accountants in public practice, a significant number of pages is allocated to the possible threats to the independence of the auditor or accountant. The main threats to the accounting professionals' independence are (C.F.A.R., 2016):

- the financial connection with the clients of the accounting and audit professional services;
- the functions which the professional accountant holds or held within the client company;
- the family and professional relationships between the professional accountant and a representative of the client company;
- other services recently provided to the client;
- the long association of the management staff with a certain client;
- the value and succession of the fees received by the professional accountant from a certain client;
- the acceptance of gifts and exaggerated hospitality from a client of the accounting and audit professional services;
- ongoing or imminent litigations in the relation with a particular client.

IFAC Ethical Code has also become compulsory for professional accountants in Romania, because in 1995, The Body of Expert and Licensed Accountants of Romania (B.E.L.A.R.) adopted the Accounting Professionals' National Ethical Code, by taking the provisions of the IFAC Ethical Code. Nowadays, the professional accountants in Romania, members of the two professional bodies representative for the field of accountancy – B.E.L.A.R. and C.F.A.R., both of them IFAC members, are obliged, in their professional activities, to comply with the provisions of IFAC Code of Ethics. In order to guarantee this compliance, in the organisational structure of the two professional bodies, there are structures which sanction, further investigation, including aspects focused on the infringement of the ethical principles contained in the IFAC Code of Ethics. At the level of B.E.L.A.R. we find the Higher Commission of Discipline (www.ceccar.ro), and in the framework of C.F.A.R. there is the Department of Ethics, Professional Conduct and Investigations (www.cafr.ro). Moreover, in 2018, C.F.A.R. adopted the Regulation on the Organization and Functioning of the Disciplinary Commission of C.F.A.R. In the opening of this Regulation, in the first article, it is emphasized, once again, that all financial auditors and audit firms, members of C.F.A.R., are obliged to know and to abide by the provisions of IFAC Ethical Code. The failure to comply with the provisions of the IFAC Ethical Code and the conduct of professional activities under conditions leading to the serious damage of the professional reputation are disciplinary misconduct and therefore sanctioned.

Furthermore, professional accountants are obliged to give a written statement, on their own responsibility, showing that, within the professional services, they are in no situation of incompatibility or conflict of interest.

4. Conclusions

The mission and specificity of the accounting professionals' activity implies social responsibility in relation to a wide range of economic actors: investors, creditors, state, employees, managers. Forasmuch as the professional accountants are the producers of financial information, but also those who must guarantee the quality and sincerity of this information, the social stake is huge. Therefore, it is not enough for a professional accountant to prove, by his activity, that (s)he has extraordinary professional skills and abilities. Certainly, it is necessary that these skills be doubled by strict, unyielding compliance with the ethical requirements imposed internationally and nationally by the IFAC Code of Ethics. In Romania, the two professional bodies representing the field of accountancy, B.E.L.A.R. and C.F.A.R., members of IFAC, through the organizational structures they created, have committed to monitor and sanction professional accountants, also for the infringements of the provisions of IFAC Ethical Code. It is an approach which should lead to greater confidence in the quality and professionalism of accountancy and audit services.

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