

AUDITOR'S ETHICS IN THE CONTEXT OF GLOBAL CRISIS

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In the context of current global crisis, a series of questions regarding the professional accountant's position need to be clarified in order to may understand the way in which the auditors, considered objective and independent due to their ethical and professional conduct, contribute to the confidence increase of those who found their decisions on an accounted financial situations basis. We also ask ourselves to what extent our society can sustain the development of a regulation based ethical behaviour and specific institutions, taking into account the existing pressures in crisis conditions. The increased number of financial scandals lead to a regression of confidence of the accounting information users, regarding the respect of ethical standards by the auditors, and there are real reasons of concern because of the increase of the non-ethical behaviour's number of cases.

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Introduction

Of a larger approach, ethics can be defined as a set of principles or moral values that the organizations, the groups and each individual described in a separate way. There are many codes of conduct, codes of professional ethics defined by different insitutions and group of crafts, necessary and respected in order society function in a proper way. The International Federation of Accounts (IFAC) established the International Ethics Standards Board for Accountants (IESBA) having the role of the elaboration and the issue of high quality ethics and other provisions for accountant profesionists all over the world.

The object of this article represents the analysis of the code regarding the ethical and professional conduct in the field of audit, in the context of current crisis, using a research methodology based on the review of the literature and legal regulations in this field.

The solution of ethical dilemmas

The ethical dilemma can be defined as a situation in which a profesionist has to take a decision concerning a certain attitude. The auditor is the profesionist confronting along its career with a series of ethical dilemmas, having to provide an objective and independent opinion regarding the financial situations of an individual. The solution possibilities of ethical problems are quite ample, but the auditor has to pay attention when chosing from these possibilities, because the provided services have an impact on different users, client representants, lenders, governments, financial and affairs communities and even on the economic welfare of the community that he joins. The threshold between a moral behaviour and an immoral justification conduct can be easily crossed. An example of frequently used justification mechanism is one in accordance with the principle "If it is legal, it is moral", using the argument according to which every conduct that doesn't violate the law is as well moral and bases mostly on the hypothesis on the law's perfect character. According to this reasoning an individual cannot be obliged to return a found object, but only in case the person who lost the object can prove that it belongs to him. Ethical dilemmas solution represents the permanent concern of the regulatory bodies in any field of activity and one of the easiest way of defining is the formal reference frame.

Generally, but applicable in any field, the 6 steps method represents a simple form of ethical dilemmas' solution, as it is described below:

- Getting relevant information;
- Identification of ethical problems on the basis of the given information;
- Determination of the persons or groups affected by the dilemma's final resolution and the way they will be affected;
- Identification of the alternatives that the person who has to solve the dilemma disposes of;
- Identification of the prospective consequences of each alternative;
- Decision regarding the proper actions to be undertaken.

The Code of Ethics for Professional Accountants in the field of audit represents the formal reference frame, containing a set of principles and regulations which have to rule the auditors' activity. The International Accounting Standards (IASs) no. 100 and the International Standards Certifications (ISC) 3000 forecasts the necessity that the accountant professionalist conform himself to the ethics rules issued in the Code by the IFAC.

Conduct and professional ethics national provisions

The mission of the International Federation of Accounts (IFAC), as it is prescribed by the constitution, is "to strengthen the accountant profession at a global level, applying harmonized standards which are able to provide high quality services for public interest". Taking into account the IFAC's mission, there has been established the Ethics Standards Board for Accountants having as objective the elaboration and the emission of high quality ethics standards. The code has a significant impact on the practitioners, offering fundamental principles regarding the auditing practice and specific and correctly applicable conduct rules. The auditor's activity must come up to the highest professionalism standards in order to guarantee confidence to the users regarding its services quality. To maintain this confidence, the auditor has the obligation first of all to have defined and to respect the ethical and professional conduct code.

Romania has adopted the Code through The Body of Expert Accountants and Licensed Accountants, entitled The National Code of Ethics for professional accountants, and it is compulsory to be known and to be respected by all professional accountant, no matter how they carry on their activity. The purpose of the Code supposes accomplishing the aim concerning professionalism, credibility, quality of services and the confidence conveyed by its users to reach the highest level of performance and to come up to the public interest needs. The accountant professionalist has the responsibility not only to satisfy the needs of a client, but also to act for public interest. The auditor helps to maintain the integrity and the efficiency of financial situations, a role that imposes to him to respect and to adapt himself to the ethical provisions of the Code.

The code regarding the ethical and professional conduct in the field of financial audit is structured as follows:

- *Fundamental principles* for the profession and practice of financial audit, that is the integrity, independence and objectivity, privacy, professional competence and political neutrality.
- *Conduct rules* that imposes the standard behaviour for auditors, which helps them to understand and put into practice the fundamental principles.

Integrity supposes the professionalist obligation to carry on its services in a modest, correct and incorruptible manner, acting in accordance with the profession's requirements. The auditor has to avoid the conflict of interests and to present deliberately incorrect information.

From *objectivity* point of view, it is stipulated the auditor's obligation not to discredit the professional reputation and the profession because of an unwanted influence. The accounting reports have to be precise and objective and the datas used for analysis to be employed from the provided documents according to audit standards.

Professional competence oblige the auditors to maintain the knowledge and professional aptitude at an international standards level, carrying on their activity with careful attention, competence and conscientiousness, offering to the users of the information an assurance regarding the benefit of a service based on the most current practical and legislative aspects.

From *privacy* point of view, it is necessary that auditors keep privacy regarding the facts, the information and the documents they are acquainted with both for personal interest and the benefit of a third person.

Political neutrality concerns the auditor's attitude regarding the political convictions, he must keep his independence to all political influences in order to accomplish his tasks in the most impartial way.

Conduct rules represent minimal standards of ethical behaviour, set forth as specific rules that must be respected by any professional in practice in the domain of accountancy and audit. Besides the previously detailed principles regarding independence (rule 101), integrity and objectivity (rule 102), privacy (rule 301), auditors have also to know:

Technical standards supposing the observance by the auditor of some techniques regarding: general standards (rule 201), observance of standards (rule 202) and accountant principles (rule 203). The auditors have to conform to technical and professional standards drawn up by:

- international audit standards;
- committee for international accountancy standards;
- professional member organizations or other organization with regulation competences;
- the current legislation.

The interpretation of conduct rules meets the practitioners questions regarding a specific rule. The interpretations are not officially applied, but their violation put the practitioner in the impossible situation to justify his various conduct in comparison with the conduct rules. The role of the ethical verdicts is also to give explanations regarding some specific real circumstances which are published in the complete version of the Code.

Besides the Code of Ethics for Professional Accountants issued by the IFAC, there are also other ways by means of which profession and even society can encourage the auditors and the experts in the field to behave properly to carry out high quality audit and other professional services. Other similar ways are the exams for the licence of expert accountant, licenced accountant, quality control, collegial evaluation, legal responsibility, standards defined by stock exchange values and operations committee, classification of accounting expertize companies and others.

Ethics development in crisis conditions

According to specialists estimations, the problems the individuals confront with, especially on the Romanian market, are linked first of all to the internal factors regarding the employees' discrimination, social responsibility, information disclosure, resources use for personal reasons and other problems having as starting point the ethical and moral responsibility. The financial scandals in the last years, reaching the highest point with the contemporary financial crisis, have brought forth the problems regarding ethical behaviour and social responsibility. The individuals and regulation organizations in the given field take more and more evident measures to help increase the lost confidence in accountancy.

The Sarbanes – Oxley Act (SOX) represents one of legislative measures taken by the USA, regarding corporate governance, by means of which The Public Company Accounting Oversight Board has been established in order to set up standards for rate entities and for the leading of controls concerning the audit companies activities. The SOX Act extended over the American borders, influencing thus all companies having their headquarters in another country than USA. One of the regulation measures undertaken by IFAC represents the establishment of the Public Interest Oversight Board (PIOB), in February 2005, having as object the oversight of IFAC's standardization activity regarding the audit missions. A series of conferences also debated the ethics problem in auditor's profession.

A new structure appears within "the Ethics and Compliance Officer" association having as object the establishment of internal systems and procedures by means of which employees' way of interaction is controlled and especially crisis situations are prevented.

At the base of financial scandals lay a series of specific causes regarding economical and political policies, but the lack of transparency of financial reports represents a major problem.

The reasons may vary, but they are especially due to the insufficient training of the managers who are obliged to find new resources and carry out their activities in a competitive environment. The economic environment goes through a stage of major transformations, under the influence of new technologies and the dynamics of production factors; thus, the transparency of accounting information becomes a guarantee of financial stability and performances.

Conclusions

The current economic environment in which we carry out our activity is very different from the past economic environment, accountant professionals find themselves every day in a competitive climate imposing them to obey the new rules and to adapt their activity to the requests of the market. The actual financial crisis put into evidence the necessity of solid, unitary regulations, having a real basis concerning ethics and morality in financial reference. The demand for audit and certification services depends especially on the confidence of the users in the respective profession. Thus, the management of professional activities in accordance with a Professional conduct code, known, respected and understood by the practitioners in the given field is imperatively necessary.

The aspects regarding the ethics code are and have to be permanently an effort to improve competition and quality of services. The behaviour rules recommend the auditors to remain independent and carry on faithfully their activities. Professional conduct code requires to the members "to respect the ethical and technical standards of the profession, to make a continuous effort to improve the competence and quality of services and to practice their professional responsibilities for each individual at as highest levels as possible", these requirements representing the necessary to improve the accountant information users' confidence.

The Romanian economy confronts with the lack of some performant management practices, existing at the present insufficient studies and researches to help the elaboration of a solid basis regarding management possibilities. The managers don't know how to protect themselves against some ethics and conduct problems which may appear during their activities. One of the reasons represents the reticence concerning the organization structures changes, the appearance of "the Ethics and Compliance Officer" representing an essential part in defining the activity, but the Romanian companies aren't yet used to transfer a part of their management responsibilities to a third person. As a reply to the current crisis, at the request of the professionals to focus on the civic duties, IFAC improved the support of developing countries and established an Anticorruption Working Group and enlarged the independence and other ethics advices in the Ethics Code [3]. Similar additional measures have to be undertaken and the professionals who don't respect the Code's dispositions must be penalized so that they be obstructed in the future to justify their immoral conduct. The concerns for ethics and social responsibility have to be permanently in the attention of accountant professionals, of auditors and all professionals from any other field of activity. Only a proper behaviour may offer confidence and lead to the increase of the practiced profession's prestige. The faster understand of the fact that ethics doesn't mean only legality supposing a way of communication and development will lead to the proper and quicker pass over the current economic-financial deadlock.

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