PROFESSIONAL ACCOUNTANTS' ETHICS IN THE CONTEXT OF CORPORATE GOVERNANCE

Prof. Marioara Avram Ph. D
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania
Greti Daniela Togoe Ph.D Student
West University of Timisoara
Faculty of Economics and Business Administration
Timisoara, Romania

Abstract: National Code of Ethics of the accounting profession in Romania establishes the rules of conduct and formulates the basic principles that must be followed to achieve common goals. Professional accountants in Romania operate in different entities and branches of the national economy as freelancers or employed personnel; however, the basic goal of the Code of Ethics must always be respected. Sometimes the duty of members to their profession and to society may seem to conflict with their immediate interest or their duty of loyalty to the employer. Based on this framework, it is up to accounting bodies based on membership to develop ethical requirements for their members in order to ensure the highest quality of accounting activity and maintain public's confidence in the accounting profession.

According to the Code of Ethics developed by the International Federation of Accountants (IFAC), the hallmark of accounting profession is taking responsibility for public interest and not necessarily satisfying the individual requirements of each employer or client. Public interest can be defined as the collective welfare of the community and accounting bodies served by the professional accountant based on his reliance, integrity and objectivity.

For accounting professionals joining the accounting profession ethical principles and values provide sufficient reasons for guild solidarity and defending the common interests of the accounting profession, and the need for performance and competition by fair methods means, at the same time, accepting competition with rules and principles and assessing its results while ensuring the unity and uniqueness in the accounting profession.

For any corporate governance, the capital of public trust is particularly important since confidence is a goal that is hard to win, and harder to preserve and easy to lose.

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1. INTRODUCTION

When you combine figures and ethics, professionalism and fairness, efficiency and involvement, the result is professional accountant's ethics.

Professional accountant holds an important role in corporate governance, taking responsibility both to the public interest and towards sustainable and balanced development of the economy. The professional accountant is seen as an important element of efficient and effective corporate governance since he provides a guarantee for the management of risk and control processes and systems as well as for corporate governance structures. It acts as a catalyst for changes, giving recommendations for improving governance.

Corporate governance can be effective by adopting a set of principles and application of the best practices based on fairness, honesty and integrity.

2. METHODOLOGY

Research approach, in terms of methodology, is of analytical-argumentative nature. The approach is analytical due to the fact that ethical principles are presented in the context of corporate governance, principles adopted by the Chamber of Financial Auditors of Romania starting from the ethical principles developed by IFAC. Research, on the other hand, is likely argumentative because ethical principles and regulations in the field is analyzed and are made arguments for ethical regulations, but also counterarguments on the necessity of applying these principles by the professional accountants; the result obtained leads to the article's conclusive argument.

Noting the number and complexity of regulations relating to ethics that professional accountants are required to comply with and courses on ethical issues that they are obliged to attend, we shall study through the research conducted the necessity and adequacy of regulations addressing ethical issues, bringing both pros and cons (arguments and counterarguments) on the subject.

3. APPLYING ETHICAL PRINCIPLES IN THE CORPORATE GOVERNANCE

Professional accountant is exposed to demands caused by globalization, the fundamental role he plays in corporate governance and its role in preparing financial – accounting information. Therefore, the professional accountants should exercise their professional activity according to the rules of conduct laid down by the Code of Ethics for Professional Accountants, and according to national and international professional regulations.

In conformity with the National Code of Ethics for Professional Accountants, the fundamental ethical principles respected and applied by professional accountants, as freelancers or employees, are:

- Principle of integrity - professional accountants must be honest and fair in business and professional relationships

- Principle of professional competence and prudence - imposes a number of obligations of professional accountants such as: maintaining skills and professional knowledge to an acceptable level so that corporate governance to benefit of adequate professional services, and the exertion of professional services in concordance with the technical and professional standards.

- Principle of confidentiality - a professional accountant should not disclose or use, for themselves, confidential information obtained from the exercise of its duties.

- Principle of respect for professional norms and standards - professional accountants are required to comply with professional, quality and education standards, this representing a guarantee for the protection of public interest.

- Principle of professionalism - requires professional accountant's compliance with laws and regulations in force and avoidance of any action that may discredit the profession.

By applying the fundamental principles of integrity, objectivity, professional competence, confidentiality and professional behavior, professional accountants directly contribute to establishing a climate of confidence and normalcy to draining the economy, but also to improve the relationship between the entity's board and the external environment (customers, credit institutions, investors, suppliers and so on).

These objectives imply that four basic requirements must be meet:

- ✓ Credibility - professional accountant should provide reliable information to the public, especially to corporate governance for better economic development
- ✓ Professionalism - services provided by professional accountants must be in accordance with professional standards of education, quality, ethics, accounting and auditing.
- ✓ Quality of services - the services obtained from professional accountants need to be executed to the highest standards of performance.
- ✓ Confidence/Trust - this can be achieved by professional accountants in performing their tasks at a high quality and applying accurately ethical and professional conduct standards.

In the current economic- financial context, ethics is a sine qua non criterion of success and sustainable development of the business environment.

4. INVOLVEMENT OF PROFESSIONAL ACCOUNTANT IN APPLYING THE PRINCIPLES OF CORPORATE GOVERNANCE

Economic entity is based on the principles of corporate governance, issued by the OECD (Organization for Economic Co-operation and Development), to develop rules related to corporate governance, the principles consisting of:

- ❖ Providing conditions for effective governance - the purpose of this rule is to promote transparency and market efficiency determining the responsibilities of different supervisory, regulatory and implementation authorities, stimulating and promoting the integration of participants and stakeholders on the market. Supervisors, regulatory and implementation authorities should have the resources, integrity and authority necessary to perform their duties in a professional and objective manner. Also, decisions made by them should be transparent, justified and appropriate.

- Rights of shareholders - corporate governance should protect and facilitate the exercise of shareholders' rights. The main shareholder rights include:
    - exchange or transfer of shares;
    - obtaining relevant information periodically on the entity's economic-financial situation, and the professional accountant has a major role in obtaining reliable and relevant information;
    - participation and the right to vote at the general meetings of shareholders;
    - election or removal of members of the Board;
    - participation in company profits.
- Equitable treatment of shareholders - the corporate governance framework should ensure the equitable treatment to all shareholders, minority and foreign shareholders with the opportunity to obtain effective redress for violation of their rights. The main purpose of this principle is to protect shareholders against abuse from the manager, the board of directors or controlling shareholders.
- The role of stakeholders in corporate governance - corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs and financial sustainability of enterprises. Stakeholder rights must be respected and, if they are violated, measures should be taken regarding their compensation. Stakeholders should have the freedom to communicate freely, about illegal or unethical preoccupations of the Board's members, without their rights being affected.
- Disclosure and transparency - this principle means presentation, in due time, of the significant information on:
    1. result of operations and financial result of the entity;
    2. economic entity's objectives;
    3. remuneration policy for board members and managers, as well as information about board members, on their qualification and selection process etc.;
    4. risk factors;
    5. issues regarding employees and stakeholders;
    6. governance policies and structures and the way of putting them in practice.

Achievement of this principle is an attribute of the activity done by professional accountants who presents timely the necessary information to decision makers in the entity and stakeholders.

- Responsibilities of the board - this principle requires the fulfillment by the Board of Directors of the following responsibilities:
    - Establishing and reviewing corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives and monitoring expenses.

- Monitoring the effectiveness of the company's governance practices and making changes where necessary;
- Providing a transparent electoral process;
- Monitoring and managing any conflicts of interest of board members and shareholders;
- Ensuring integrity of accounting and financial reporting, and verifying whether controls systems are effective, in particular, the systems of risk management, financial control and operational control, as well as the compliance with relevant legislation and standards;
- Overseeing the process of disclosure and communications.

5. CONCLUSIONS

Fundamental principles that accounting professionals in our country have the duty to respect are common to all professional accountants, following regionalization and globalization, efforts being made to harmonize accounting profession worldwide. Chamber of Financial Auditors of Romania as other professional bodies have provided courses in ethics and professional deontology in their continuous training programs.

Failure to comply with ethics and professional ethics by large international corporations specialized in accounting and audit resulted in loss of public's trust and interest for some services of the accounting profession. International accounting scandals led to the development of regulations and requirements in ethics to regain and strengthen public confidence, even if sometimes they seem exaggerated.

Research carried out in the current period revealed that following these scandals, accounting professionals were no longer perceived as upright and their moral conduct was questioned by internal users and external users of financial statements.

Evolution in time of ethical standards demonstrates the continued need for rules and ethical norms specific for accounting professionals. Professional bodies, namely the Chamber of Financial Auditors of Romania and Body of Experts and Licensed Accountants of Romania, have an important role in amending permanently the ethical norms and disseminating them by affiliates, which ensures accounting profession's legitimacy nationally and maintains professional accountant's reputation in the economic entity.

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