

PROFESSIONAL ETHICS IN ACCOUNTING AND THE PROTECTION OF THE PUBLIC INTEREST

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Abstract: *The article highlights the essential role of professional ethics in the field of accounting and its impact on protecting the public interest. The author emphasizes that the accounting profession is not limited to providing accurate financial information, but also involves respecting fundamental moral principles. The paper analyzes the responsibility of accountants in maintaining public confidence in financial information. The standards and codes of professional ethics that guide the behavior of practitioners are presented, as well as the risks generated by their violation, including financial fraud, conflicts of interest and loss of institutional credibility. Protecting the public interest is presented as the central objective of the accounting profession, since users of financial information — investors, creditors, public institutions and society as a whole — depend on the accuracy and transparency of accounting reports.*

Keywords: professional ethics, accounting, public interest, ethical dilemmas

1. Literature review

Professional ethics is an essential pillar of the credibility of financial information, trust, and accountability. Accounting information must provide a solid economic and legal foundation that guarantees the rights of both information providers and recipients [1]. Bădescu Valentin notes that “business ethics synthesizes the system of values, principles, and norms” among organizations [2]. And since any activity involves accounting information, we bring to the forefront (not for the first time in the literature) the implications of ethics in the processing, utilization, and reporting of accounting information. Given that the temptations are great, only the professionalism, conscience, and ethics of accounting professionals can guarantee the truth [3].

The accounting profession contributes significantly to maintaining transparency and credibility in the economic environment. Financial information is used by investors, creditors, public institutions, and other

stakeholders to make economic decisions. The provision by the professional accountant of a financial picture that accurately reflects reality is an “instrumental activity,” whereby the accountant indirectly assumes responsibility for the decisions made by users [4]. For this reason, adherence to professional ethics standards, in accordance with professional judgment, is essential. According to the “International Federation of Accountants” (IFAC), professional ethics are the foundation of public trust in the work of accountants [5].

Accounting professionals operate in a market where the supply and demand for information are constantly changing, depending on what providers wish to convey through their reports or what is required of them.

The accounting profession in Romania is governed by the National Code of Ethics published by CECCAR (the professional body in Romania that regulates the accounting profession), which is structured in three parts

– “Part A: General Application of the Code; Part B: Accounting Professionals in Public Practice; Part C: Employed Accounting Professionals” – [6] and through which it is recognized that the objectives of the accounting profession are established to achieve the highest standards of professionalism, levels of performance, and to meet the requirements of the public interest. Achieving these objectives requires meeting the requirements of credibility, professionalism, service quality, and trust [7]. Given that the accounting profession entails assuming a responsibility toward the public interest, the principles are as follows [6]:

- Integrity, which entails honesty and fairness in all professional relationships. The accountant must avoid false or misleading information.
- Objectivity, which involves avoiding conflicts of interest and external influences that may affect professional judgment.
- Professional competence and prudence, which emphasize that accountants must keep their knowledge up to date and act responsibly.
- Confidentiality, which requires that information obtained in the course of professional practice must not be disclosed without authorization.
- Professional conduct, which entails mandatory compliance with regulations to uphold the profession’s reputation.

Complying with these requirements has implications for the quality of accounting information, which in turn affects its usefulness to management and other users. In 2014, IFAC drafted and submitted for consultation a document [8] aimed at improving the structure of the Code of Ethics, focusing on reorganizing the structure, restructuring it to provide greater clarity, simplifying the wording, and clarifying responsibilities, among other things.

Currently, IFAC has developed the “Handbook of the International Code of Ethics for Professional Accountants”, which

contains five parts [5] detailing aspects of professional accounting ethics:

- “Compliance with the provisions of the Code, fundamental principles, and conceptual framework;
- Practicing professional accountants;
- Professional accountants with the right to practice;
- International Standards on Independence;
- Glossary”.

At the European Union level, professional ethics are regulated by Directive 2006/43/EC [9].

2. Ethical dilemmas in the context of protecting the public interest

Regulating professional ethics standards does not resolve the ethical dilemmas [10], [11] faced by accounting professionals, which arise from conflicts of interest, taxation, or the security of accounting records, but they serve to guide them in their actions and attitudes to avoid inappropriate behavior and promote social responsibility. Among the causes of dilemmas and challenges related to unethical behavior [12-15], which can lead to the manipulation of accounting information, the following can be mentioned:

- financial gain, when motivation is inappropriate or driven by moral considerations;
- competition, which may impose demands for the manipulation of information;
- culture, with effects on the methods used to achieve goals;
- taxation, stemming from the desire to eliminate or defer certain payments;
- the use of AI;
- the uncertainty and risk surrounding the decisions made;
- conflicts of interest.

However, ethical dilemmas do not apply only to accounting professionals. Administrators, authorizing officers, managers, and investors must “learn accounting ethics and its functions to avoid the financial and legal dilemmas caused by

the misrepresentation of financial statements” [16].

International financial scandals have shown that failure to comply with ethical norms can produce serious economic and social consequences. Famous cases [17] such as manipulation of financial statements or concealment of losses, have affected public confidence and have led to the consolidation of regulations on professional ethics in accounting. In the context of providing credible information, the professional accountant must assume the responsibility to act both in the public interest, defined by IFAC as “the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or

policy”, [18] and for the benefit of clients or employers [6].

3. Research methodology

As we have presented, standards of professional ethics are a pillar of the accounting profession, whether we refer to freelancers or hired accountants. The theoretical aspects and opinions presented in the article are also supported by applied research. Thus, in order to identify the opinions of organizations regarding the observance of the principles of professional ethics, we conducted a study, based on the questionnaire, on a valid sample of 301 entities. (Table 1).

Table 1. Objectives, hypotheses and variables of the research

Table 1: Objectives, Hypotheses and Variables of the Research

Objective (Q)	Hypothesis (IP)
Q ₁ Compliance with standards of professional ethics and impact on users of accounting information.	IP ₁ The principles of accounting ethics are largely respected and contribute to protecting the public interest.

Variable 1. To what extent do the following fundamental principles of professional ethics characterize the accounting professionals with whom your entity collaborates / employees? (from 1 to 5 where 1 is to a very small extent)

Ethical principles in accounting	1	2	3	4	5
Integrity					
Objectivity					
Professional competence and prudence					
Confidentiality					
Professional conduct					

Variable 2. To what extent do you consider that compliance with the principles of professional ethics in the exploitation and use of accounting information has a positive effect in protecting the public interest?

4. Research results

Our initial objective was to determine the level of compliance by accounting professionals in the investigated organizations with professional ethics through the operational variable v1.

The information we obtained is presented in Table 2.

Professional ethics principles	1	2	3	4	5	<i>Total</i>
Integrity	0,00	1,66	9,63	59,80	28,90	100,00
<i>Score = 4,16</i>						
Objectivity	1,99	4,65	19,27	50,83	23,26	100,00
<i>Score = 3,89</i>						
Professional competence and prudence	3,99	6,98	29,57	43,85	15,61	100,00
<i>Score = 3,60</i>						
Confidentiality	0,00	1,99	8,31	37,21	52,49	100,00
<i>Score = 4,40</i>						
Professional conduct	1,99	5,98	28,90	40,53	22,59	100,00
<i>Score = 3,76</i>						
General score = 3,96						

The analysis carried out shows that the calculated scores for each standard of professional ethics fall within the range of 3.60 - 4.40, with an overall score of 3.96. The analysis of the information leads us to the assessment that within the investigated entities, each standard of professional ethics is respected to a large extent.

If previously we highlighted the reality regarding professional ethics, through v2 we aim to analyze the opinion of respondents regarding the impact that compliance with ethical requirements produces in protecting the public interest. The information obtained is presented in Table 3.

<i>Tabelul 3. Compliance with professional ethics standards is appropriate in the use and usefulness of accounting information to protect the public interest.</i>				
Valid	301	frequency	percent	Valid percent
	to a very small extent	0	0	0
	to a small extent	0	0	0
	average	23	7,64	7,64
	to a large extent	47	15,61	15,61
	to a very large extent	231	76,74	76,74
	Total	301	100,00	100,00
Scor	4,69			

By analysing the data processed and taking into account the overall score of 4.69, we can unequivocally conclude that compliance with the principles of professional ethics is, to a very large extent, an opportunity in harnessing and using accounting information to protect. By v1 it was pointed out that within the investigated entities, each standard of professional ethics is respected to a large extent, being noted that none of the

investigated entities considered that there is any standard of professional ethics that is very much respected. The difference between the scores obtained for the two operational variables (3.69 and 4.69) leads us to appreciate that more careful monitoring of ethics is required.

By the general scores obtained, the main hypothesis advanced before the research is confirmed. We mention that in case of

reality capture we chose for hypothesis "largely" because we considered the problems we hear or read about permanently fraud, providing information that is aimed at meeting the requirements of users and through which the entity to achieve certain objectives, manipulating accounting information in the desired sense of the bidders and requested by users.

5. Conclusions

The accounting profession has an essential role in ensuring the transparency and credibility of financial information. Accounting ethics, together with professional resilience (permanent adaptation to legislative changes, with important effects on taxation; digitalization of the profession; risk and uncertainty management; maintaining objectivity and integrity under professional pressure), are fundamental factors for protecting the public interest, as they contribute to maintaining confidence in the economic and financial

environment. Compliance with ethical norms and the ability of accounting professionals to adapt to changes and crisis situations directly influence economic stability, trust in partners but also in state bodies.

Compliance with ethical standards is essential to the realization and provision of reliable information that allows the decision making and targeting of user behavior. In the paper, we highlighted the opinions of some authors on ethics, the causes of unethical behavior finally reaching the standards of ethics of the accounting profession.

By complying with the standards of professional ethics in accounting, positive effects on users of information are generated primarily because it is necessary to associate with professional reasoning, with the ability to analyze and synthesize information highlighting its usefulness and translating it into information indispensable for protecting the public interest.

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