

The answers of the Chamber of Financial Auditors of Romania at the FEE
Integrity in Professional Ethics Discussion Papers

1. What does integrity mean for you?

Integrity is the first of the ethical principles underlying a good professional conduct and a high quality professional behaviour.

Integrity gathers all the five ethical principles according to which a financial auditor- professional accountant has to guide himself/ herself in his/ her activity, so that he/ she can provide the most competent and professional services.

Integrity involves honesty, decision, correctness and justice.

Integrity will never interfere with such notions as negligence, error, falsity.

2. Is integrity the core principle in professional behaviour? If yes, why?

Integrity is the main component of professional ethics, since, once acquired by the financial auditor – professional accountant, it confers the latter all the honesty, sincerity and correctness needed for providing high level services.

3. What are the threats to ethical behaviour?

The financial auditor has to be direct and honest in all professional and business relations. Integrity also involves correct and just transactions.

A financial auditor cannot enter a business relation, occupation or activity that affects his/her integrity, objectivity or the good repute of the profession that would generate an incompatibility with the main principles.

The conformity with the main principles can be threatened by a wide series of circumstances and relations. The threats can fall into the following classifications:

- a) Self-interest threats – the threat that a financial interest or other interest will inadequately influence the judgement or behaviour of a professional accountant;
- b) Self-review threats – the threat that a professional accountant will not correctly review the results of the previous judgement or of a service provided by the professional accountant or by another person within the professional accountant's firm or within the employer, review based on which a judgement will be made, as integral part of the process of providing the respective service;
- c) Advocacy threat – the threat consisting on the fact that a professional accountant shall promote the position of a client or of an employee, so that the professional accountant's objectivity will be compromised;
- d) Familiarity threat – the threat due to a close or long relationship with the employer or with the client, the professional accounting taking an interest in their activity or having the tendency to accept the results of their work;
- e) Intimidation threat – the threat according to which a professional accountant will not be able to act with objectivity due to real or perceived tensions, or due to the attempt of exerting influence on the financial auditor.

4. How do these threats change as the economic climate changes?

The circumstances in which professional auditors act can lead to the apparition of specific threats to the conformity with the main principles. Irrespective of the economic climate, financial auditors have to respect the Code of Ethics and to take into account any possible threat that could appear regarding their integrity. If the economic climate changes, the nature of the engagements and duties can vary, so different threats can appear, requiring different safeguards.

5. How is integrity instilled in your audit firm or your organisation? Does it always work? How could it be improved?

At the level of our professional body– CAFR- integrity is the principle involving the attention of both lecturers teaching course to professional auditors and trainees in financial audit, of course supports and of quality inspectors when performing reviews for observing the quality of audit services.

6. Do readers agree that integrity is actually the core principle and should be highlighted as such, compared with the other fundamental principles referred to in paragraph 2.3? If not, why not?

Being the first of the ethical principles established by the IFAC Code of Ethics, integrity has to represent the main and essential principle in performing audit services. It cannot be compared with the other principles since we consider that integrity gathers all the others and represent the starting point in the application of the other 4: objectivity, professional competence and due care, confidentiality and professional behaviour.

7. Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale?

8. From the perspective of professional ethical behaviour, does the quality of the persons' character matter if their actions are consistent with expected standards? Does this have consequences for the disciplinary process?

The character of the person providing professional audit services is important so that in the context of the conformity if his/ her activity with the ISAs a very good performance to be generated. In the disciplinary process, all the behaviour of the professional account is taken into consideration, starting with the integrity.

9. Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? Again, does this have consequences for the disciplinary process?

The integrity of each individual creates the chances for the group integrity to be the most significant, and the other way around. To be correct, honest and moral are the premises for both the group and the individual to perform high quality services. During the disciplinary process, every individual is responsible for its professional conduct.

10. Would it be helpful for codes of ethics of accountancy bodies to include further discussion on integrity? If so, what are the key points that should be included?

Yes, it would be very helpful. The key points would be the very competences that form the integrity principle, namely: honesty, morality, perseverance in morality, correctness and also transparency.

11. Should there be greater clarity of the extent to which personal integrity would affect professional integrity, to enhance harmonisation? What sort of personal behaviour should merit professional disciplinary action?

Studies on the integrity principle would be useful, cases noticed in practice should be discussed starting from the individual to the group level. Any conduct that leads to the breach of ethical principles should lead to disciplinary actions.

12. Do you agree with the behavioural characteristics discussed in paragraph 5.2? If not, please explain what should be changed.

Yes, we agree with them. Such a behaviour proposed by a Board should determine an auditor to immediately quit the contract signed with the latter and to announce the entity (the Client) that its integrity is the principle that made him/her take such measures.

13. Are there further behavioural characteristics that should be expected of someone behaving with integrity in a professional context, other than those listed in paragraph 5.2? If so, what?

Auditors should not manifest any interest, except the fee, in the acceptance and performance of his/ her activity.

14. Do readers agree with the indicators discussed in 6.7? Are there others, and if so what?

Yes.

15. Do readers agree that organisations should have clear ethical values and that in all but the smallest organisations this will require the organisation to have a code of conduct? If not, please explain your rationale.

Yes. CAFR adopted the IFAC Code of Ethics as such, with no modifications.

16. Who should be responsible for ensuring that ethical behaviour is embedded in organisations?

The auditor/auditors and company's associates have the obligation and the responsibility to make proof of integrity in the activity of the firm and to implement, for the entity's staff, the ethical principles mandatory for the high level services provided.

17. Is it reasonable to expect professional accountants to promote an ethics-based culture in their organisations? If so, should there be greater guidance and what are the key points that it should include?

It is mandatory for the professional accountants, financial auditors to respect and promote ethics and its principles as they were adopted and defined by IFAC, for the good repute of the profession and for providing quality services. CAFR will take into account a training program on ethical principles.