

---

*ECONOMICA*

## **Accounting and Auditing**

### **The Role of Regulating the Accounting Profession and the Public Interest**

**Ecaterina Neculescu<sup>1</sup>, Carmen Sirbu<sup>2</sup>**

**Abstract:** The high quality services provided by the accounting profession are a function of the professional standards, of the personal value and competences, the regulation systems, all having to be coherent and back each other. All the activities that form the accounting profession are of equal importance, as seen through the eyes of the public interest. The scope of this paper is to underline the role of CECCAR in sustaining and promoting international practices at a high level, in regulating the activities and the conduct of its members, in developing and consolidating the accounting profession in order to serve the public interest.

**Keywords:** public interest; accounting profession; quality audit

#### **1. Introduction**

At a global level, the accounting profession is situated in a process of full reorganization and restructuring with the scope of adapting to the needs of global economy. As the leader of the Romanian accounting profession, CECCAR has a well defined agenda in the handling of this profession. As well as in other countries, in Romania the professional accountants, their client, the professional organisms and the governments seek to ensure that the accounting profession continues to provide high quality services and contributes to the rise and development of the global economy. Assuming responsibility for the public interest continues to be a main objective for the accounting profession in Romania.

**The public interest**, as a common benefit which all the citizens have from the accounting profession services, includes the effects of all the **regulating measures** meant to ensure the quality of the provided services.

While the individual members of the accounting profession have the obligation of attend to the public interest, the professional organism has a specific responsibility and an essential role, having in mind the **3 fundamental objectives**:

---

<sup>1</sup> Senior Lecturer, PhD, Faculty of Economic Sciences, "Danubius" University of Galati, Address: 3 Galati Boulevard, 800654 Galati, Romania, Tel.: +40.372.361.102, fax: +40.372.361.290, e-mail: neculescu.ecaterina@univ-danubius.ro.

<sup>2</sup> Associate Professor, PhD, Faculty of Economic Sciences, "Danubius" University of Galati, Address: 3 Galati Boulevard, 800654 Galati, Romania, Tel.: +40.372.361.102, fax: +40.372.361.290, Corresponding author: carmensirbu@univ-danubius.ro.

- Education: the assurance of a continuous professional development of its members;
- Ethics: the conduct of its members;
- Quality: Certifying the services offered by its members.

In order to reach these objectives, the professional organism sustains and promotes the professional practices at high level, including through the means of regulation.

In our opinion, concerning **the role of regulations in the attending of the public interest**, the existence of regulations of the accounting services is based on **three main arguments**:

1. The difference in information between the consumers and the producers of services, who have the high level technical competences and the necessary expertise.
2. The external effects, as far as the respective services can have effects over the third party.
3. Some services are considered “public goods” having value for the entire ensemble of members within the society.

We all agree that **the regulation is necessary to certify** the fact that the accounting services are of adequate quality.

High quality services offered by the profession are, in the end, a function of the professional standards, competences and personal values and of the regulation systems, all having to be consequent and to support each other.

A professional accounting organism has to have its own **regulating structure**, appropriate for the national framework, which consists of:

- A normative act which acknowledges the professional organism as a legal entity which represents the profession and which can offer it legal power for the regulating of its members.
- A status and personal regulations;
- Admission demands and a registry of members;
- Rules of professional conduct and ethics based upon the Ethic Code of IFAC;
- Accounting and Audit standards;
- Disciplinary systems, monitoring systems for the members.

## 2. The Situation in Romania

1. CECCAR sustains and promotes high level international practices, regulates the activities and the conduct of its members, develops and consolidates the accounting profession in the scope of serving the public interest.

The Government Decree no. 65 from 1994 was and remains a European regulation, due to:

- It is a regulation through which independence from the state is sought;
- Protects the public interest, the issues of internal regulation being commissioned to the professional organism CECCAR;

- Regulates the accounting profession as a whole and the expert accountant as the professional with the highest level of education and instruction in the subject of accounting, with unrestricted access to all activities and services forming the accounting profession.

2. Romania was the first country of the former communist bloc in which **professional standards** were elaborated for each and every service delivered or activities provided by professional accountants, in this manner:

- keeping books;
- elaborating, examining and presenting the financial situations;
- establishing and reorganizing enterprises;
- evaluating enterprises;
- Internal audit;
- Statutory audit;
- the censor activity;
- fiscal consultancy;
- accounting expertise.

The normalizing role of CECCAR for its members and as a representative of the accounting profession is subordinated to the quality of the elaborated norms.

Professional elaborated norms can be presented, today, as examples to the accounting profession from south-east Europe. Practically, in this moment, we do not have any service provided by a professional which does not have working standards, reference standards and conduct ones in the field of professional services, published by CECCAR Publishing.

For the benefit of the accounting profession and of the public it serves, CECCAR continued to give special attention to the accounting normalization recommendations of the European organism as well as IFAC's, so that CECCAR translates and publishes every year The International Standards of Financial Reference IFRS and The International Public Sector Accounting Standards IPSAS.

3. For the continuous professional development The National Standard of Education no. 38 was emitted, which assumes the education demands from The International Educational Standards no. 7 and 8 emitted by IFAC and which is brought into force through the National Program for continuous professional development emitted for a period of 5 years.

In order to continue the normative framework necessary for education and respecting the International Education Standards emitted by IFAC, CECCAR provides national education and development programs of accountants from the entire economy, either members or nonmembers through the National Program for Continuous Professional Development. The educational program administered and laid out by CECCAR is based on the International Standards of Education emitted by IFAC. In this manner, the essential elements from the norms emitted by IFAC were incorporated in the personal norms and programs regarding education.

The role of CECCAR in the educational process is manifested throughout all the steps and at all levels. In this sense, CECCAR, through the measures taken, has managed to convince the university environment to adapt and incorporate in the educational program of the

students from faculties with an economic profile, essential elements from the International Educational Standards.

To improve the CECCAR education system, starting with 2010 the activities organized for the members were divided into 4 categories (CECCAR, *National Education Standard no.38*, Editura CECCAR, București, 2011):

Courses for the continuous professional development;  
Courses for exam preparation and obtaining some competences;  
Courses for technical and ethical education of interns, seminars, vivas, round tables, etc.

4. In the quality domain, CECCAR is one of the first IFAC members which extended the International Quality Standards to all services provided by accounting professionals.

The normative acts based on which the quality audit is achieved over the accounting services provided by the CECCAR members are:

The international standards emitted by the International Federation of Accountants (IFAC);

The CE recommendation from 15 November 2000 (no. 2001/256/CE) regarding the minimum requests on quality control of the professional services;

CE methodology;

The Government Decree no. 65/ 1994 regarding the organization of the accounting expertise activity and of authorized accountants, republished;

The organizing and functioning rules of the Body;

The national ethic code of professional accountants.

The quality audit done by CECCAR over services provided by members regards, mainly, the accomplishment of the following objectives:

The offering to the public of a good perception over the quality of services provided;

The harmonization of the professional conduct of members;

Contribution to the good organizing of cabinets and of perfecting the working methods;

Appreciating the way in which rules and professional norms are applied and respecting the member obligations;

The development of solidarity in the profession, through favoring the contact between coworkers.

The quality audit has, as a reference, the professional standards emitted by the Body for every nature of provided service, rules and professional norms. As far as the organizing of the quality audit, there is a functioning department for the following of the application of professional norms and quality audit.

Quality Audit (Toma Marin, Potdevin Jacques, p. 125) is made up of:

The structural audit, meaning the knowledge of the organizing and functioning means of the cabinet;

The technical audit, meaning appreciating the way in which professional norms are applied, the working files corresponding to the selected missions being examined through survey.

The conformity audit, meaning the verification of the way in which the member obligation are respected, obligations referring to education, ethics, the payments of fees, the deposit of the annual activity rapport, the participation to activities organized by the Body.

At the end of the mission deployed on the basis of the audit guide, total qualitative points are established, as well as the quality class in which the audited cabinet is framed in.

The audit activity over the quality of accounting services is realized by quality auditors, experienced expert accountants, formed and instructed by the Body.

5. In the field of ethics, respecting the obligations of an IFAC and FEE member CECCAR transposed as early as 1996 and continues to do so, the articles of the IFAC ethic code in the national standard, The Ethic Code of Professional Accountants, which was constantly brought to date considering the modifications, brought to the IFAC ethic code. The last version of the ethic code was approved by the superior organisms of leadership of CECCAR and published by the Body's publishing house in the fifth revised edition, in 2011.

In the benefit of the Romanian accounting profession and of the public it serves this standard was put at the disposal, as always, of the members, all professional accountants that activate in the different branches of economy.

The ethic code establishes norms of conduct and formulates the fundamental principles which have to be respected by the professional accountants who work in the different entities and branches of the national economy as free lancers or employees.

It is in the interest of the accounting profession to make known to the users of services provided by accountants, that they are executed at the highest performance level and in conformity with the ethical demands associated with these services.

6. The members of the body are obliged to respect the ethical demands published by CECCAR (CECCAR, *Codul etic national al profesionistilor contabili*, 5th edition, revised, CECCAR publishing, Bucharest, 2011) In order to follow the way in which the professional and ethical standards are respected, the accounting profession organism has at its disposal all the necessary resources for an efficient system of investigation and sanction of the cases of non-compliance. A Regulation of the Discipline Committees exists.

The consequent non-compliance of these requests can have the consequence of an investigation of the members' conduct by the Department of Ethics and the Discipline Committees at a local and central level.

7. Professional standards of high quality are important because they offer a reference base for the members of this profession, the users of the accounting services but also for the regulating organism and an evaluation base of the members' conformity with the best practices.

CECCAR also has, under the responsibility of a vice-president of the Superior Council, The Committee of Small and Medium Practices, which has the mission of knowing and implementing at a national level all the standards emitted by the PMM committee within the International Federation of Accountants – IFAC.

8. The users' needs of accounting information at high quality standards make the professional organism preoccupied continuously of the protection and trust of the public interest in the accounting profession in Romania.

CECCAR will continue to develop the process of standardizing the national profession for services provided by members, development under all forms of the educational process of its members.

### 3. Conclusions

The accounting profession must remain unique, have unique rules at a global level and remain unitary, in the sense that all activities forming the accounting profession are of equal importance, seen through the eyes of the public interest.

Regulating must be qualitative in order to respond to the public interest, for this to ensure the fact that the accounting services are qualitative. It has to be: proportional, transparent competitive, non-discriminatory, precise, implemented consequently and justly and to be submitted to periodical examination.

### 4. Bibliography

Toma, Marin & Potdevin Jacques (2008). *Elemente de doctrină și deontologie a profesiei contabile/Elements of doctrine and ethics of the accounting profession*. Bucharest: CECCAR.

\*\*\*(2009). *Cartea expertului contabil și a contabilului autorizat - Culegere de acte normative și reglementări ale profesiei contabile elaborate de CECCAR în perioada 1994-2009/The Book of expert and authorized accountant. Collection of laws and regulations of the accounting profession developed by CECCAR during 1994-2009*. 5<sup>th</sup> revised Edition. Bucharest: CECCAR.

\*\*\*Rule of organization and functioning of the Body of Expert and Licensed Accountants of Romania, republished with subsequent changes in the Official Monitor no. 466 of 23.06.2008.

G.O. no. 65 in 1994 on the organization of the accounting and accountants, republished in Official Monitor no. 13 of 08.01.2008.

CECCAR (2011). *Codul etic național al profesioniștilor contabili/National Code of Ethics for Professional Accountants*. 5<sup>th</sup> revised Edition. Bucharest: CECCAR.

CECCAR (2011). *Standardul Național de Educație nr. 38/National Standard of Education no. 38*. Bucharest: CECCAR.