MORAL AND SOCIAL RESPONSIBILITY - ESSENTIAL ATTRIBUTES OF THE FINANCIAL AUDIT PROFESSION

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Abstract: *Financial auditors carry out an activity of confirming and certifying the accounts of a company coupled with a duty to protect the public interest, i.e. all those who are interested in the content of the financial statements and the audit report. To do this, it is mandatory going through all the obligatory steps of carrying out an audit engagement. They will have to consider it not only their own interest, but also a priority for the public interest as a whole. Financial auditors also contribute to the morality of business life by ensuring that conduct complies with the law and by promoting credibility and transparency of financial information. Thus, the concept of social responsibility is about fulfilling the obligations and meeting the standards imposed by the profession. Financial auditors which are promoted on the basis of the trust given by society will feel the pressure of social responsibility, but also moral responsibility. To maintain trust, they must respect the profession's specific, principles of integrity, honesty, impartiality, objectivity and, above all, independence in representing the interests of stakeholders. In this context, the social and moral responsibility of financial auditors also refers to the obligation not to act in any way that brings the profession into disrepute.*

Keywords: *financial auditor, moral responsibility, social responsibility, public interest, stakeholders, accurate view.*
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1. Introduction

The indispensable linkage created between the responsibilities assumed by the financial audit profession and the profession's commitment to protect the public interest leads to an analysis highlighting the importance of social and moral responsibility with respect to the public interest axiom, demonstrating that these are essential attributes of the financial audit profession.

Responsibility towards the public interest is inherent to the profession. In this context, the responsibility - social and moral - that financial auditors have, is at the forefront of meeting the public interest trust needs. Sometimes, however, financial auditors are likely to serve it first and foremost.

Deontology is the adoption of a set of rules, and the origin of the word is "deon" from the Greek language meaning responsibility and "logos" meaning discourse. Thus, deontology would mean the discourse of responsibilities, principles and rules adopted by a specific professional group (Carreira et al., 2008).

The increased attention to the public interest represents the desire for financial auditors to harmonise with the social and moral responsibilities that are incumbent upon them. Commitment to the social and moral good creates a positive image and provides a reference point for the financial audit profession especially when they face ethical conflicts.

2. Research methodology

The present article is concerned with identifying how support for the financial audit profession's commitment to protecting the public interest is directly influenced by the social and moral responsibilities it assumes. The research topic is the impact of auditors' commitment to prioritise the public interest in the conduct of their audit and more specifically the impact of this commitment on building trust in the profession. In this respect, we have addressed the notion of public interest as applied in auditing. The object of promoting the public interest is to strengthen the position of the profession. I have built the argument on the demarcation between the private (economic) interest and the public interest, emphasising the need to prioritise the public interest. Through an argumentative analysis we have highlighted how moral and social responsibility contribute to the positive trust of the general public in the financial audit profession. The personal contribution is represented by my own view on the causal link that can be formed between moral and social responsibility and the financial audit profession in order to strengthen trust in the profession through commitment. In this context, I have determined the relationship that best highlights that social and moral responsibility are essential attributes of the financial audit profession.

3. Importance and objectives of the research

The profession of auditors is based on serving the public interest, and a precise knowledge of the notion of public interest is a prerequisite for its advancement. The profession's commitment to supporting the public interest is factual, a condition of its presence. Self-interest must not be subordinate to the public interest, and the reconciliation of the two is conditional on the consistent application of ethical and professional standards in accordance with public expectations. Thus, the International Code of Ethics for Accounting Professionals, 2018 Edition of the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) in July 2018 in English, translated into Romanian by the Romanian Accounting Experts and Certified Accountants Association (CECCAR) in December 2019, with the support and under the supervision of the Authority for Public Oversight of Statutory Audit Activity (ASPAAS), and reproduced with the permission of IFAC, protects both public and private interests, and the ethical values promoted by the Code of Ethics guide auditors in case of conflict of interest.

Arguing how upholding the profession's commitment to protect the public interest is interlinked with respecting the social and moral responsibilities assumed by the profession, determines the importance of the research work. vIn the research, we aimed to highlight that public perception has a direct bearing on the upholding of the professional commitment it places on the audit profession, as auditors represent the interests of all beneficiaries of the audit report, given that they fulfil the role of public interest trustees. Thus, trust is generated on the basis of the commitment made through professional accountability. If it is high, it supports the financial audit profession.

The objective of this article is to provide an analysis of the potential relationships between the social and moral responsibilities of the financial auditor (as assessed by reference to the rigours of the Code of Ethics) and trust in the profession (as assessed by the quality of financial audit engagements).

4. Literature review

Deontology was adopted by Kant in its original sense and as a result he states that action is only moral if it is "performed with responsibility" (Preuss, 1998).

Within Kantian deontology, private interest is distinct from morality. This belief holds that the moral value of action is only confirmed if it is performed with responsibility (Preuss, 1998). Thus, Kant's merit was to highlight the rationality that is needed for intelligibility and for the reasoning that precedes an ethical opinion.

Parker (1994) believes that professional ethics encourages social responsibility of members, but at the same time justifies self-interest. By considering that ethical values are not owned by the auditor, the auditor runs the risk of accepting ethical compromises that undeniably damage the reputation of the profession. In this sense, ethics education is important because it allows for the improvement of individual ethical standards.

On the effects of moral conduct (Jones, 1991) found that people hold themselves less accountable than they would hold others in the same circumstances, attributing their conduct to situational forces.

The importance of auditors' ethical conduct is rooted in the obligation of responsibility - social and moral - that auditors have primarily to the public interest that they are likely to serve most. Chiang (2016) notes that "auditors must seriously consider obligations that may restrain conduct inclined to maximize personal benefit" so as not to interfere with serving the public interest.

5. Importance of the responsibility assumed by financial auditors

Financial auditors do not have a clear responsibility to detect fraud, they must practice professional scepticism and have the necessary care to uncover misrepresentations of financial information presented by management. Investigating evidence with scepticism does not necessarily lead to the identification of irregularities, because the audit is not an investigation and the auditor does not act as a detective. The auditor's responsibility is to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud, as stated in ISA 240 (clarified). Thus, financial auditors have an additional responsibility to detect fraud and error associated with "operational independence" (Chiang, 2016), as management and those delegated with governance bear primary responsibility. The primary objective of the audit is to provide an objective, professional and independent opinion on the accuracy of the financial statements, ensuring that the risk of fraud will not materially influence the audit opinion expressed (Martin, 2007). In this context, we believe that through the role they perform auditors hold a privileged position of being the bearers of public confidence and thus have a responsibility to provide an objective and credible audit to all parties interested in the audit opinion. The way in which the auditing profession responded to public dissatisfaction in the 1980s in the United States and to the expectation gap between public expectations that once a company received an unqualified audit opinion the risk of bankruptcy and short-term tax fraud would be eliminated by issuing new auditing standards is considered inadequate. The level of user expectation of desired assurance on balance sheet items is expected to be particularly high.

Indeed, auditors are required to express reasonable assurance on the risk of material misstatement due to fraud or error (Kandemir, 2013), with ISA 200 specifying that reasonable assurance is a high but not absolute level of assurance. On the other hand, with regard to the measures adopted to reconcile the expectation gap, Lee et al. (2008) have assessed that these measures have only a cosmetic role, without providing real solutions to reduce the expectation gap. The general view is that the auditor symbolises a warning system designed to expose less than honest practices (Kandemir, 2013), and the fact that various companies have started bankruptcy proceedings shortly after receiving an unqualified audit opinion has contributed to widening the gap. However, after all, it is not within the auditor's remit to express a firm opinion on going concern; he does not make forecasts, but only certifies compliance with the audited company's financial reality. In fact, the origin of the expectation gap lies in the concern about the proper discharge of the auditors' social responsibility so that the public interest is given priority in the attestation function.

Taking a Kantian and utilitarian approach, serving the public interest implies the primacy of compliance with professional standards and the Code of Ethics over personal interests and obligations to third parties. According to the Code of Ethics, which contains this philosophy, serving the public interest is a primary focus of the profession. As described in a previous section, the Code of Ethics details the threats to compliance with fundamental auditing principles, principles which ensure that the public interest is protected and therefore that the social and moral responsibility of auditors is fulfilled. The argument is that auditors' moral commitment to society will prevent them from unethical actions. Auditors' responsibility is social and moral at the same time (Blome and Paulraj, 2013). It is social because auditors are promoted on the basis of trust, and therefore fiduciary, by society to represent its interests. It is also moral because it is only by respecting the principles of integrity, honesty, impartiality, objectivity and independence that auditors maintain the public trust, which is a sine qua non for the existence of the profession. But the responsibility of auditors also refers to the obligation not to act in any way that brings the profession into disrepute.

An audit involves professional judgement and responsibility to all its users (Citron and Taffler, 2001). Clearly, auditors have a significant social responsibility and at the same time a moral responsibility to disclose the truth of financial statements (Blome and Paulraj, 2013). Frankel (1989) is of the opinion that society gives power and privileges to the profession so that its members contribute to the good of society in accordance with the values promoted. It follows that the auditor's real client is the public and the responsibility to the public takes precedence over any commercial or financial gains.

Owen (2005) argues for the need for auditors to assume a social responsibility through the attestation function that is deeply rooted in the optimal functioning of the capital market with an impact on society as a whole. Auditors must not only take responsibility for their actions and decisions, but also make responsible decisions. At the same time, professional bodies such as the International Federation of Accountants - IFAC and the American Institute of Certified Public Accountants - AICPA (2014) have emphasised the need for auditors to protect the interests of the public.

Singhapakdi et al. (1996) confirmed the link between ethical principles and values and attitude towards social responsibility. We can speak of a positive association between recognized norms of professional ethics and ethical conduct. This is because professional ethical standards are assimilated to an individual ethical philosophy of auditors, influencing a socially responsible conduct. Taking responsibility in an ethical manner leads to increased trust in the profession (Caldwell et al., 2008; Garcia-Marza, 2005), in a context of the need to restore public trust (Gates et al., 2006).

Auditors' responsibilities to society include the duty to contribute to the good of society by avoiding situations that cause collateral damage through unethical conduct and to achieve the highest quality by making effective assessments of financial information. Specifically, auditors provide reasonable assurance that financial statements are free from material misstatement due to error or fraud (Fogarty and Rigsby, 2010). As Ricchiute (2006) notes in his assessment, auditors consider a "fraud triangle" to determine whether management or employees have the motivation and opportunity to commit fraud and whether certain constraints are imposed as a result of committing fraud. Even if users would like to see an assumed responsibility for fraud (Albrecht et al., 2009), the principle of reasonableness about detecting significant misrepresentations remains the foundation for establishing auditor responsibility (Messier et al., 2008).

6. Social responsibility of financial auditors

The profession of financial auditors is distinguished by the fact that auditors assume social responsibility towards the public interest (Citron and Taffler, 2001). The notion of "public" refers to all parties with an interest in the audited financial statements, more specifically it includes and refers to shareholders, employees, suppliers, creditors, banks, investors, the state and its bodies and other categories of public. By certifying an entity's financial statements, auditors are addressing a wider range of users than just the direct beneficiary with whom the audit contract has been concluded, and auditors must therefore consider and protect the interests of all these users.

Auditors are among those who have a supervisory role in the market by ensuring the strict implementation and control of financial and accounting legislation. It is therefore desirable to improve and develop the role of auditors in the market in order to ensure their contribution to increasing financial stability. The audit sector plays a fundamental role in the healthy functioning of capital markets, as investor confidence is based on the financial statements provided by listed companies.

However, as auditors do not act as guarantors or insurers, they are formally liable to the client if they fail to fulfil their specific professional obligations. However, auditors have extended responsibilities, not only to the client who has engaged their services, but also to all the beneficiaries of the audit opinion through their extended public oversight role for the benefit of society (Citron and Taffler, 2001). Formally, auditors are only liable to third parties in cases of obvious negligence that could be construed as fraud. However, as noted above, economic practice imposes a broader liability on auditors than that described by legal rules. Generally Accepted Auditing Standards (GAAS) as well as Statements on Auditing Standards (SAS) are international standards that govern the audit process and influence the public perception of audit quality, in the sense that these standards provide benchmarks and assurance that compliance has resulted in an effective audit process. Compliance with International Standards on Auditing is all the more important from the point of view of the beneficiaries of the audited financial statements as they do not have access to the actual audit procedure or the way in which the financial statements subject to an audit procedure are given credibility.

Accordingly, auditors need to meet the needs and expectations of those who rely on their work, as this profession is supposed to work in the public interest, that of investors and capital markets (Citron and Taffler, 2001). Audit firms are likely to provide serious assurance that the assertions made by management in annual reports are reliable and that the fair value requirements of the audited financial statements are met. Although it is management that provides financial information about the audited entity by exercising professional scepticism, the role of auditors is to act in this way from the point of view of the recipients of the audit opinion (Mintz, 2018; Kusumawati and Syamsuddin, 2018).

Next, we determined the relationship that best highlights that in social and moral responsibility are essential attributes of the financial audit profession:

$$P = (Rs + Rm) + a$$

Where:
P = Profession

Rs = Social responsibility
Rm = Moral responsibility
a =Unknown variable

The above relationship determines moral and social responsibility as attributes of the financial auditing profession, where "a" is the unknown variable that is an essential element in determining quality and that we have identified as representing ethics in auditing. Thus, by considering social and moral responsibility as essential attributes that directly contribute to sustaining the profession's commitment, it follows:

P = A * (Rs + Rm)

Where:
A = Engagement

If we consider that the social and moral responsibilities assumed by the profession will be practised to the highest degree, then they will ensure that the profession's commitment to protect the public interest is sustained and will unquestionably become essential attributes of the financial audit profession.

7. The impact of fulfilling social responsibility on audit legitimacy

Legitimacy is understood as the perception that a particular action fits within a system of norms and values defined by society. According to Scott's (1995) study, legitimacy refers to the authorization and justification given to auditors by society. Legitimacy thus encapsulates social norms, values and perceptions from society of what is right or wrong, conforming or not conforming to society's expectations.

Thus, society assigns legitimacy to certain institutions in order to strengthen their capacity to act, and audit can be associated with such an institution (Herrbach, 2005). This position is "linked to the perception of auditors as professionals, which justifies the privileges and trust that are accorded to them" (Herrbach, 2005), and professionalism is confirmed by the quality of audits.

Fogarty and Rigsby (2010) recall what confers legitimacy and refer to the professionalism of the profession dictating the rules to be followed. Structures such as IFAC support professional competence and encourage ethical professional conduct. Thus, codifying ethical norms into rules such as developing a code of ethics applicable to the profession is a fundamental part of the legitimisation process (Preston et al., 1995). In this regard, Preston et al. (1995) note that "on the face of it, much of legitimacy is simply having rules".

Society confers legitimacy on the profession of auditors, and auditors in turn confer legitimacy through the attest work they perform. According to Power's (2003) approach, auditing seeks both to gain legitimacy and to confer legitimacy. In this context, audit is equivalent to an institutionalised mechanism that enables financial decisions to be taken at the societal level, a position also confirmed by the reputation and trust that members of the profession enjoy. The perceived quality of an audit, which is verified by the performance of the auditors, is in fact the basis of trust and therefore of their legitimacy.

Trust theory was developed in the 1930s by Professor Limperg of the University of Amsterdam, and according to it auditors will work to meet the expectations of the public, the latter being the focus of the auditor's concerns. Maintaining user confidence in the audit function is the objective of the profession because, as stated earlier, strong confidence in the usefulness of auditing gives it legitimacy. In fact, the ISA framework states that the objective of an audit is to provide increased confidence to all users of the audit report.

Further, we can accept that the need for legitimacy of auditors lies in the ambiguity of the concept of audit quality. Audit quality is traditionally defined as the likelihood that an auditor will discover and report on possible dysfunctions in the accounting system (DeAngelo, 1981). A certain standard of quality is set at the level of the profession from which one cannot deviate and which takes the form of compliance with auditing standards including ethical ones. Maintaining quality in auditing is equivalent to assuring all stakeholders that auditors will provide a qualified audit opinion in accordance with the regulations, without any bias or self-interest or influence on audit judgment. This strengthens confidence in the ability of auditors to fulfil their legitimate role of objectively attesting to the compliance of financial reporting.

Confidence underpinned by the assumption of social responsibility produces legitimacy for auditors, and this ownership causes auditors, through the opinion they issue, to produce legitimacy in turn (Power, 2003). In order to confirm the legitimacy of auditors, confidence in the usefulness of auditing for society is a sine qua non for justifying their presence in the market. Therefore, a high level of trust will justify the legitimacy of auditors, while a low level of trust will call into question the need for auditors' presence in the market.

As public confidence is the barometer for determining the legitimacy of auditors, it is vital for the profession to maintain and strengthen trust. A positive reputation and image (understood as the totality of public attitudes towards auditors) generates credibility which in turn gives confidence in the effectiveness and usefulness of auditors in meeting society's expectations. In particular, trust as a barometer of audit legitimacy has two facets: on the one hand the trust that members of the profession place in the transparency and reliability of audit procedures, and on the other hand the trust that direct beneficiaries and the general public place in the irreproachable business ethics. The evolution of society's expectations is also reflected in the level of trust they place in the profession in terms of usefulness.

Big4 firms enjoy legitimacy in the market based on the recognition they are given, and then we are looking at cognitive legitimacy, on the one hand, and on a good reputation for effective auditing, and then we are looking at moral legitimacy. The rationale is due to the fact that Big4 audit firms are likely to have a strong ethical climate through the training they implement, hence the presumption that they allow for qualitatively superior judgements (Gary et al., 2007). In addition, there is a striving for and consolidation of legitimacy within the profession.

In the context where an audit no longer corresponds in terms of utility to the beneficiaries as a whole, we can speak of a loss of social legitimacy of auditors. Earley and Kelly (2004) speak of a crisis of trust amidst a loss of credibility. For example, when dishonest practices by auditors were revealed, the reaction of society was one of perplexity, as such behaviour was not accepted. For auditors, the need to fulfil their social responsibility has an authoritative value, and if "ethical conduct is flawed, the credibility of the entire profession is at risk" (Higgs-Kleyn and Kapelianis, 1999).

We have already stated that by adopting the code of ethics, the profession has sought to strengthen its legitimacy through an approach in line with society's expectations. Thus, by adopting audit opinions that take account of ethical rules and principles, auditors seek to show that their work serves the public interest without tolerating any misconduct that might cause it harm. Especially since auditors "owe loyalty to the public interest first" (Eynon et al., 1997). Davenport and Dellaportas (2009) recall the functionalist view of the profession in which the public good it serves through a commitment underpinned by social obligations appears as its end in itself. Serving the public interest designates auditors as a professional group for whom ethics is the axis around which the audit activity revolves. Auditing is only moral and legitimate if it is based on consideration of the public interest.

The legitimacy conferred by the application of ethical principles in the course of an audit is part of the logic of a culture centred on morality, and the effect of legitimacy is an advocacy of the usefulness of the profession to operate in the public interest. Thus, the legitimacy of auditors justifies the role, necessity and usefulness of the profession to society.

8. Conclusions

Financial auditors, being assigned a moral and social responsibility, must avoid acting in a way that can be considered unethical. Any breach of their responsibilities would contribute to a lack of confidence in their professional commitment. A lack of trust amidst negative public perception calls into question the very profession of financial auditing. Therefore, meeting social and moral responsibilities is an assurance to society that the professional commitment is fulfilled for the common good.

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