

*The world has come face to face with a double crisis: a rapidly spreading viral infection and a serious recession. A storm of political and especially ethical dilemmas has surfaced as leaders, doctors, other scientists and professionals try to cope with the double crisis. Judgments have to be made and balance be found about the extent of lockdowns that prevent infection, on one hand, but promote business closures and unemployment on the other. Judgments have to be made about how and to whom to allocate scarce resources for medical care both across and within countries. Political and managerial judgments have to be made about how to allocate public funds and assistance among needy companies, hard-hit districts and municipalities, welfare programs for the unemployed, and support for poorer countries. All these judgments involve choices conditioned by Ethics.*

## The CV-19 Crisis, The Public Interest and The Ethical Accountant

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### The Crisis Elevates the Prominence of Ethical Thinking and Conduct

The health crisis has brought ethical choices to the forefront of our everyday life. Ethical choices do not solely concern doctors or politicians. They also touch on the life and conduct of each one of us: when we choose each day to behave so as to protect not only ourselves but also others from infection, we fulfill an ethical duty. *The responsibility to act prudently for the welfare of others springs from an ethical imperative and serves a broader public*

*interest: generalization of ethical behavior from the individual to the multitude safeguards public health and promotes the “common good”. I can easily reflect how very analogous this proposition is to the ethical behaviors of the multitude of professional accountants around the world that safeguard and promote the public interest.*

### Roles of Accountants and Associated Risks in Crisis

In times of abrupt, unexpected and deep economic crisis companies and governments come under financial stress. Public funds are confronted



by widespread demands for assistance. Many private companies suffer losses and some face risks of bankruptcy due to loss of business. Others may, however, enjoy abnormal profits due to sudden price hikes or excess volume of business. In each of these cases, professional accountants remain closely involved. The truthfulness of financial reporting and the credibility of the audit of financial statements are of paramount importance especially at times when managers and decision-makers are toiling to discover an efficient path to return to normality. And we all recognize the large impact that sound financial reporting can have on investors, creditors, taxpayers and other stakeholders in critical times. After all, no safe exit from any economic upheaval and no sound route to recovery can materialize without fair, reliable and timely information.

Professional accountants will be called on by their employers, or by their clients, to apply their skills, knowledge and experience in response to a variety of extraordinary circumstances created by the crisis. Many of their duties will have to be carried out under significant time pressure; they will be required to absorb quickly and assess accurately new facts and circumstances; and they will be possibly exposed to pressure to relax their vigilance in conditions of emergency and in the search for recovery.



In short, the critical role of professional accountants both in the midst of crisis and on the road to recovery makes them indispensable central actors; but it also exposes them to risks of omission, error or yielding to undue pressure. *This implies that professional accountants will need to be supported as much as possible by their peers, their employers and their professional organizations. It also implies a very important need to focus on applying and reinforcing the fundamental ethical principles of integrity, professional competence and due care, professional behavior, objectivity and confidentiality; and to honor their obligation to act in the public interest in all circumstances. Indeed, this is a time and an opportunity for professional accountants to lead and inspire, by exhibiting exemplary ethical behavior in the midst of hardships.*

### **Accountants' Great Professional Advantage: the Restructured International Code of Ethics**

In their duties to apply fundamental ethical principles, make ethical judgments and honor their obligation to act in

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the public interest, professional accountants are not unequipped; they have a very valuable instrument at their disposal: *The International Code of Ethics for Professional Accountants (including International Independence Standards)*, which articulates the fundamental principles, a conceptual framework for compliance, requirements, examples and other application guidance. The portion of the Code that contains the standards for auditor Independence includes a comprehensive suite of clear, concise and relevant provisions that support auditor independence both in substance and in appearance. All these provide critical support to accountants' acting ethically.

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comprehensive Code of Ethics. In 2018 the IESBA issued the Restructured International Code of Ethics and, I am happy to say, India has been one of the leading adopters.

The Restructured Code is a highly evolved ethical codification, a far cry from its 20th century predecessors. It represents the global accounting profession's circumstances and aspirations in our times of challenging changes in business, technology, social needs, perceptions and economic sustainability.

The Restructured Code clarifies in ways that were not explicit before, the public interest dimensions associated with accountants' activities. It binds the international profession to seek, serve and promote the public interest both in normal times and in crisis. It makes provision both for the



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activities of preparers and for those of auditors and reviewers of financial statements. It applies in the private, public and not-for-profit sectors alike. And its user-friendliness and navigability are best experienced through the electronic version IESBA released in June 2019: the eCode available at <https://www.iesbaeocode.org/>.

## The Code as a “Living Document”: Long and Short Perspectives

As circumstances, technical capabilities and social perceptions change, so do the implications for the application of the fundamental principles of the Code of Ethics. A characteristic advantage of the Restructured Code is that it constitutes a hospitable platform for change. Its clarity, its separation of requirements from guidance, its building-blocks and scalable foundation, and its transparent and easily navigable architecture make it so. So, over the last two years the IESBA has been working intensively to further enhance the Code to make it more “future-proof”.

New work on the International Independence Standards, for example, seeks to strengthen independence both in substance and in appearance so as to increase trust in the audit: The conditions under which the offer of non-assurance services to audit clients is permissible are under revision. The transparency of fees paid by audit clients for audit and

non-assurance services, and the threats to independence created by “fee dependence” on an audit client are also important issues being addressed by the current revisions. In other areas, such as the ethical implications of technological transformations to the accounting, assurance and finance functions, or of advice for tax-planning, the IESBA is also pursuing significant revisions. This work seeks, by breaking new ground, to enhance the relevance of the Code in the long-run.

But what about the short-run and the current crisis? We have been working on and consulting with our stakeholders about the challenges of the pandemic and its dire economic implications. We believe that the Code of Ethics includes and highlights principles and guidance that are especially relevant to the pressures and dilemmas of the present day. As a result we have already issued a staff alert, *COVID-19: Ethics and Independence Considerations*. We look forward to issuing others for the benefit of the users of the Code of Ethics and the wide group of beneficiaries of its standards.

The Code's relevance and usefulness as an instrument of the public interest are very high, viewed through both the long- and short-term prisms, and in times of normality as much as in times of crisis. It is, as we say, a living document for all its users. ■■■