

CODE OF PROFESSIONAL ETHICS IN ACCOUNTING: POLISH PERSPECTIVE

INTRODUCTION

This article is in fact a resume of everything that the Association of Accountants in Poland (AAP) has done so far to communicate the importance of ethical behavior in accounting. The text is generally composed of three parts. Part one presents premises of activities undertaken by AAP in the area of ethics, to help understand why Polish *Code of Professional Ethics in Accounting* (dalej: Code of Ethics) is the way it is and why it is not a 'direct implementation' of the *IFAC Code of Ethics*, although it is not contrary to it. Part two is dedicated to the structure of the Code in terms of business security and social accountability. And finally part three - includes a description of AAP's activities at multiple parallel levels related to the Code of Ethics.

1. REASONS FOR ACTIONS TAKEN BY THE ACCOUNTANTS ASSOCIATION IN POLAND IN THE AREA OF PROFESSIONAL ETHICS IN ACCOUNTING

The starting point for developing the Code by the Accountants Association in Poland (AAP) were my thoughts presented during the broad national forum on ethics in accounting and creative accounting which took place in 2003. Summarizing of this speech could be enumerated some - presented below - main its points, important for actions taken by AAP in the next steps.

1. I said then that ethics requires explanation, because the world had reached the momentum in a strange race, and ethics, as safety precautions, starts to be neglected on a large scale. I shared my reflection that our Polish environment of accountants should not take part in this race, because we have to care about the prestige of the accounting profession, which for more than 100 years has been the mission of our organization, and its highest value. Also, I pointed out that we should anticipate in Poland the risk of spreading unethical behaviour without any restraints. **The starting point should be to give priority to the word „responsibility“** because „responsibility“ is a necessity and a moral or legal obligation to answer for our actions and bear the consequences.

2. Presenting above arguments, I took the view that **ethics in accounting is a derivative of responsibility** and in this context requires explanation. I also expressed the view that ethics **requires promotion**. This need is caused by distressing global behavioral changes, and it is necessary to find some antidote, keynotes, priorities, the right way to make the necessary assessments of different choices and ways of overcoming difficulties.

3. Thus, turning to ethics is crucial in these circumstances. I finally pointed to the conditions under which certain activities can be considered ethical. I noted that it



Anna Karmańska,

PH.D, Prof. Head of Department of Accounting, Warsaw School of Economics, Poland, Chair of Ethics Commission and Vice-Chair of Scientific Council at Board of the Accountants Association in Poland

is necessary to identify the exogenous and endogenous factors that are equally important for ethical behavior, but should be analyzed against the cultural background.

4. I also stressed that as regards accounting, it is essential to identify exogenous and endogenous factors at the three different levels: at the level of accounting science, didactics and practice. This order is not accidental. Ethics and integrity in accounting science determine the attitude of the lecturer in the area of teaching, and this attitude translates in turn into the values (not just knowledge) represented by those who finally become practitioners in this area.

The above mentioned speech provided the premises for the need to develop the Code of Professional Ethics in Accounting, the need that I had reported, and the AAP Main Board approved of. This reasoning was also important for the Code itself. It does not include the term 'accountant'. Instead the term 'person dealing with accounting' is used. As a result, the Code shall apply to anyone who has to deal with accounting, regardless of whether the person is an accounting practitioner, academic teacher or manages IT systems supporting accounting, and finally – is a journalist writing about accounting. The spectrum of the addressees of this Code is wide and comprehensive.

Starting to work on the Code, we knew that we wanted to create a code suitable for its purpose (tailored made), that is taking into account the widely understood culture of the profession in our country. Knowing well our professional environment, we were sure that a demanding Code of eth-

ics would be successfully adopted only when it combines strict rules with typical characteristics of the Polish nation.

It was also important to consider the fact that in Poland, apart from the Accountants Association in Poland, there is also another important body, the National Chamber of Statutory Auditors. This professional group has not been considered as an addressee of our Code. As members of the National Chamber of Statutory Auditors, professional accountants are required to abide by another Code of Ethics specifically adapted to the tasks performed by auditors.

Our Code of Ethics had to fill another strong professional niche, other than auditors. At that time the niche included (and I am talking about the early 2000s) and still includes millions of people working in Poland in different fields of accounting, all equally important to the prestige of the profession.

All in all, we decided that our Code should include a wide range of addressees, except of those who practice as auditors. However, it should refer to the principles of cooperation with auditors. It should refer to the millions of Poles, by profession or by function related to accounting, both in Polish and international companies and institutions, universities, media, and even in government bodies, if they perform functions material to accounting in Poland and abroad.

Addressees of our Code are therefore those who perform different jobs, or perform functions relevant to the quality of accounting information system and professional prestige. The occupation's name or position held do not matter so much. **The key to identify whether a person is bound by the rules of professional ethics in accounting, or whether the Code does not apply, is only the answer to one question: does the work performed by the person directly or indirectly impact the quality of accounting information system and prestige of the accounting profession?**

That was our goal and I hope that reading the Polish Code of Professional Ethics in Accounting, you recognize that we have accomplished this goal.

2. THE CODE STRUCTURE AND ITS CONTENTS, SECURITY IMPERATIVE AND SOCIAL RESPONSIBILITY OF BUSINESS

This part discusses the structure of the Code and its contents, and the imperatives of security and social responsibility of business. Looking for a good solution as regards the structure of the Code, we applied the following reasoning:

1. *Code of Professional Ethics in Accounting* is inseparably connected with ensuring safe business,
2. Business security, in turn, has both microeconomic and macroeconomic nature. This means that business security is important in the same way for the proprietors and stakeholders of companies, as it is for the entire state economy.

3. It is important to remember that in practice we can talk about different instruments that are used in the economy to ensure business security, also in a sense of social accountability.

4. These include - in addition to codes of ethics - various laws essential to business activity and proclaimed by various institutions and organizations related to business as corporate governance.

5. Codes of ethics addressed to professions important to business security often refer to:

- Personal responsibility for undertaken actions,
- Awareness of the social consequences of economic decisions,
- The need to conduct an honest business.

And that means accepting only high moral and ethical values in business activity. ***Code of Professional Ethics in Accounting cannot be an exception, on the contrary: it must be very ethically challenging, but given the addressees, it must be very clear and unambiguous as regards its principles.***

Additionally, in the context of business security and the structure of the Code of Ethics one has to remember about the so-called self-preservation ethics, which is a negative phenomenon. Self-preservation ethics creates the culture of narcissism and in fact poses a threat to enterprise stability. It is claimed that the symptoms of 'self-preservation ethics' are: alienation and individuality of people, egocentrism, unhealthy and excessive competition, underestimating others, artificially overstating one's merits and at the same time humiliating co-workers. Some believe that it all stems from the hatred leading to deepening problems, mistakes, and generally – to serious difficulties. I think that in a company, continuous monitoring and identification of early warning signs of the self-preservation ethics is crucial to 'be or not to be' not only of the company itself. **The Code of Ethics must therefore be sensitive to the negative issue of self-preservation ethic.**

For the construction of the Code of Ethics, it is also important to provide connection between the increase in awareness and changes in management systems. In my opinion, since 2006, we can observe increasing changes in the view of managers on the role of ethics in business. This is confirmed for example by **subjecting entities to ethical and social audits**. So we face a new business policy emerging. This policy focuses on ethics and building lasting and positive relationships with all stakeholders, both inside and outside the company. Such a policy of doing businesses, having in mind the race in which the world takes part and which I have already mentioned at the beginning of this presentation – in the long run turns out to be economically advantageous. Such a policy requires that the Code of Ethics reflects the relationship with the environment.

In such circumstances companies create **ethics programs** not only to counteract the self-preservation ethics.

The company's ethics programs represent its ethical DNA. They publicize – via, for example, the Internet – its operational policy. In turn, this policy can give us great competitive advantage in the market.

Contents of the Code of Ethics in Accounting should be timeless, universal, despite the fact that there could be different motives of unethical behavior demonstrated by those dealing with accounting. In 2005 I conducted a study which we also used to develop our Code. The results of the study were very informative for us and confirmed that the Polish accounting profession requires the Code which, as I already indicated, takes into account the personality traits of the Poles. In this context also the aspect of our economic system was important, together with a relatively new, liberated market economy. This is because it can trigger the temptation which is ethically reprehensible.

Against this background, it is extremely interesting to note the remark of one respondent (with 20 years of practical experience), that “**managers at all levels are to blame for the lack of ethical behavior in an entity**, as it should be standard in the enterprise that the management clearly states that the unethical behavior (regardless of what it refers to) will not be tolerated. Such signs are an important factor affecting the behavior of subordinates”. This opinion expresses the belief (reasonable also in my opinion) that the business culture is shaped by its managers and if they have the tendency for unethical behavior, then sooner or later, the entire organization will absorb this tendency.

This all together has brought us to conclude that:

- firstly, we want our *Code of Professional Ethics in Accounting* to be an instrument of informing the business about the principles of ethics applicable to accounting and thus enhancing the professional prestige,
- secondly, we want our *Code* to be a means of protecting the prestige of the accounting profession, in situations of exerting pressure on the person dealing with accounting,
- thirdly, we want the structure of the Code to be incorporated into the idea of the ethics program and at the same time cover all the proposals and observations crucial to its construction.

As a result of the above observations we decided that our Code of Ethics will be preceded by a preamble and definitions of the terms used and all the rules will be included in subsequent sections. Ultimately, the Code includes: *First Part – Preamble and definitions, Second Part – Social status of a person dealing with accounting and general principles of ethics in accounting and Third Part – Principles of ethics in practice for those dealing with accounting.*

To describe the contents of the Code **three main aspects** should be underlined.

First of all, the Code requires both competence and professionalism to be maintained. These requirements are based on balance sheet law, and are very demanding, because the relevant legal norms often refer to estimates and subjective

judgement. They are encumbered with uncertainty and risk, difficult to assess, and likely to cause ‘bad accounting practices’. The Code provides all individuals dealing with accounting with ‘ethical conceptual framework’ for ‘conceptual technical framework’ applicable to this domain, whereas managers with information on the extent of responsibility carried by those dealing with accounting and operating its information system.

Secondly, thanks to the eight ethical principles covered by the Code, the senior management become aware of behaviour expected from those dealing with accounting. In addition, limitations to the accounting profession practice (which serve as a basis for self-assessment of the person dealing with accounting) shed light on the characteristics that the person dealing with accounting should demonstrate.

Thirdly, the Code establishes the term of the Code Signatory. This has allowed the Accountants Association in Poland to create the Signatories Register. To apply to have one’s name registered demands civil courage. The entry to the register entails the obligation to demonstrate ethical behaviour and maintain transparency in business. Any case of violation to these principles could be reported to the Ethics Commission by any person from the business environment of the Code Signatory. The entry is supported by a relevant diploma, important to the Signatory from the point of view of the market and their own professional prestige. The Register is open to public and published on the Association’s website.

3. AREAS AND DIRECTIONS OF THE ETHICS COMMISSION ACTIVITY – ACHIEVEMENTS AND PLANS

The third part of this article is divided into five areas:

- promotion of professional ethics in accounting across Poland,
- developing the *Bank of Ethical Dilemmas*,
- attracting the *Code Singatories*,
- developing framework for the Code implementation within an enterprise, as an element of its ethical program,
- monitoring ethics in Polish accounting practice.

First area – promotion of professional ethics in accounting across Poland

It is worth noting that the Code of Professional Ethics in Accounting was approved in 2006. It was the result of two-year efforts to develop the Code, followed by the draft Code publication, promotion in daily press and finally, broad consultation with the profession. I only wish to add that it was my initiative to develop the Code, I was engaged in its preparation, and responsible for the public consultation concerning the draft Code. Thus, I was aware of the seriousness of this undertaking.

Once the Code was developed, we started the second

phase of our project. i.e. **nationwide promotion of professional ethics in accounting.**

Since the Code's publication, the related activities have had continuous nature, and have been undertaken upon the initiative of AAP Ethics Commission. I am proud to be the Chair of this Commission.

All of its members are great people – they are highly committed team players. Also the AAP Main Board has offered its support in promoting professional ethics. In such favourable conditions we can achieve a lot. But there is only one condition – you have to know what you want to achieve.

I think that to-date we have done a good job:

a) The Code was published in brochure format both in Polish and English. Also the French, German and Russian versions is already prepared to meet the current demand in our country. This demand is attributable to foreign investment structure in Poland.

b) We make efforts to include ethical criteria in the assessment of enterprises participating in *Fair Play* and *Business Gazele* ratings. The ratings are closely related to ethics in accounting.

c) We have obtained, that topics from the field of *accounting ethics* are included into questions asked in the *Accountant of the Year* contest.

d) Educational units were introduced to the certification program for professional accountants, and ethics was included in the subject area of the examination for bookkeeping services providers.

e) Relevant materials were developed to support AAP in preparing their lectures on the Code.

f) The text of the oath taken by AAP members was also modified. At the same time it was decided that every AAP member would become the *Code Signatory*, obliged to observe its provisions in their professional practice.

g) Other initiatives included: dispatching the Code to libraries of higher schools of economics or university accounting departments.

The most important achievement however, was the **recommendation granted to the Code by two major institutions in Poland.** The first one is the Accounting Standards Committee of the Ministry of Finance. The other is the National Chamber of Statutory Auditors. Given that these recommendations were issued as special resolutions, their significance is unquestionable. These recommendations were granted a few years ago, and they are a useful tool to promote the Code.

It is also worth to emphasize, that in European Federation of Accountants and Auditors our Code of Ethics was a pattern to preparation of some ethics guidelines for SMSs and SMPs.

Second area: developing the Bank of Ethical Dilemmas

In 2006 we took up works to develop the Bank of Ethical Dilemmas. This Bank covers various case studies, including

examples of ethically controversial behaviour. The Bank was created to support different forms of teaching ethics, conducted on different stages of accounting education.

At the moment the Bank includes more than 30 case studies, and we are going to announce the forth edition of the contest for the best ethical dilemma. The Contest plays an important role in promoting the Code both across the Association, and among young people. Succession within the accounting profession is a natural process, hence we have to make efforts to ensure that our successors are well prepared to practise the profession.

The contest is addressed to students, club members or individuals joining other accounting organisations. In order to ensure high level of the publications, we have prepared a special manual complementary to the Code. The manual guides through rules of creating ethical dilemmas both in text, and multimedia formats.

Third area: attracting the Code Signatories

The Ethics Commission makes best endeavours so as to attract *Signatories of the Code of Professional Ethics in Accounting.*

The Ethics Commission also sends invitations to public administration and self-government bodies, encouraging them to become the *Code Signatories.*

We have already took actions so as to invite for instance the Minister of Finance, asking the Ministry to promote the Code in fiscal bodies. Similar letters will be sent to the Minister of Economy, Minister of Science and Higher Education, Minister of Interior, Supreme Chamber of Control, Minister of Health, Social Insurance Institution, local authorities. We hope the initiative will be successful.

We have been making efforts to sign an agreement with the Institute for Private Enterprise and Democracy. The Institute promotes the Fair Play program for enterprises to endorse broadly understood business ethics. We want to start this cooperation, because the Code of Professional Ethics in Accounting very well corresponds with the program criteria, hence we hope that it will be possible to promote ethics in accounting, and attract new Signatories.

At the moment there are above 25.000 Signatories of our Code.

Fourth area: developing framework for the Code implementation within an enterprise as an element of its ethical program

We intend to develop Framework for the implementation of the Code of Professional Ethics in Accounting as an element of an entity's ethics program. The relevant work is in Progress.

So far we have investigated different issues related to the preparation of ethics-related programs for enterprises.

At the moment we are looking at possible application of questions and problems matrix based on the Arcturus

Innovation model. On the one hand, the matrix covers basic ethical principles in business, while on the other considers the key stakeholders. It also refers to the current situation, its assessment, and the main enhancement objectives. We are willing to apply this idea to our *Code of Professional Ethics in Accounting*.

Fifth area – monitoring ethics in Polish accounting practice

Given such a need, we have undertaken the initiative to conduct a surveys across the profession. We are willing to monitor how the compliance with the *Code of Professional Ethics in Accounting changes in time*. We hope that there will be a visible development, also thanks to AAP active commitment.

In addition, we decided to monitor the press and other media. This is because we want to detect unjustified and unfavourable opinions against persons dealing with accounting. As the Ethics Commission, we have committed ourselves to

reproach them and present as purposeful action to disgrace the accounting profession.

However, once the accusation reported in the media proves to be reasonable, we will apply relevant sanctions towards the person dealing with accounting.

Summary

Having presented to you the Polish *Code of Professional Ethics in Accounting* and related initiatives, I admit this is just the beginning of a long process. It is difficult to tell how effective these initiatives will be. We are aware that some of our activities will have to be repeated to prove effective. However, the diverse initiatives undertaken by AAP in the past let us believe that the Code will be successfully promoted in different circles, which the AAP sees as its major objective. We are determined not to give up, since as the proverb says ‘little by little does the trick’, and so with time we will achieve what we intend to.

**პროფესიული ეთიკის კოდექსი ბუღალტრულ აღრიცხვაში:
პოლონეთის გამოცდილება**

ანნა კარმანსკა

ეკონომიკურ მეცნიერებათა დოქტორი, პროფესორი,
ვარშავის ეკონომიკის უმაღლესი სკოლის
ბუღალტრული აღრიცხვის კათედრის
ხელმძღვანელი, პოლონეთის ბუღალტერთა
ასოციაციის ეთიკის კომიტეტის თავმჯდომარე
და მის გამგეობასთან არსებული სამეცნიერო
საბჭოს ვიცე-პრეზიდენტი

რეზიუმე

მოცემული სტატია წარმოადგენს უახლოეს წარსულში ეთიკური ქცევის სფეროში პოლონეთის ბუღალტერთა ასოციაციის საქმიანობის მოკლე მიმოხილვას. ეს საქმიანობა მოიცავდა ყველა იმ ქმედებას და ღონისძიებას, რაც საჭირო იყო ბუღალტრულ აღრიცხვასა და აუდიტში ეთიკური ქცევის მნიშვნელობის საკითხის საზოგადოებამდე მისატანად. სტატია შედგება სამი ნაწილისგან: პირველი ნაწილი ეხება ასოციაციის მიერ განხორციელებული აქტივობის საფუძვლებს, იმის მიზეზების დადგენას და გაანალიზებას თუ რატომ განვითარდა ბუღალტრულ აღრიცხვაში პოლონეთის პროფესიული ეთიკის კოდექსი თავისი თვითმყოფადი და დამოუკიდებელი გზით (შემდეგში ტექსტში: ეთიკის კოდექსი) და რატომ არ არის იგი ბუღალტერთა საერთაშორისო ფედერაციის ეთიკის კოდექსის ზუსტი კალკი (IFAC Code of Ethics), რატომ არაა ძალაში უკანასკნელი და რა უპირატესობები აქვს პოლონურ ვარიანტს. მეორე ნაწილი ეძღვნება კოდექსის სტრუქტურის მიმოხილვას ბიზნესის უსაფრთხოების და სოციალური ანგარიშვალდებულობის კუთხით. და ბოლოს, მესამე ნაწილი მიმოხილავს პოლონეთის ბუღალტერთა ასოციაციის საქმიანობას ეთიკის კოდექსთან დაკავშირებულ სხვა პარალელური მიმართულებებით.

მიგვაჩნია, რომ აღნიშნული სტატიის გაცნობა ფრიად ნაადრევია ქართულ აუდიტორთა და ბუღალტერთა პროფესიულ საზოგადოებას და შესაბამისად მნიშვნელოვანია ამ სფეროში დღეს დაკავებული პრაქტიკოსებისათვის.