
Commitment to public interest in audit –

an imperative of strengthening trust in the profession

Alexandra ARDELEAN,

Faculty of Economics and Business Administration,
Babes-Bolyai University, Cluj-Napoca, Romania,
corresponding author,
e-mail: ardeleanalexandra10@yahoo.com

Adriana TIRON-TUDOR,

Faculty of Economics and Business Administration,
Babes-Bolyai University, Cluj-Napoca, Romania,
e-mail: adriana.tiron@econ.ubbcluj.ro

Abstract

The auditing profession is based on serving the public interest and the exact knowledge regarding the public interest notion is a condition of its advancement. The professions' commitment to support public interest is factual, a condition of its presence. The individual interest should not be predominant over the public interest and the reconciliation between them is conditional on the application of ethical and professional standards according to the public's expectations. The ethical values promoted by the ethics code guide the auditors when a conflict arises. Thus, the Ethics Code of the profession protects as much the public interest as the private interest. The study conducted by IFAC in 2010 enables to analyse the position of member bodies in order to outline the significance of the public interest and its association with the auditing profession. The definition of the public interest confers homogeneity to a notion with a broad sense and its evaluation is done through three criteria among which the costs and benefits analysis is the main criterion. The statistical analysis performed, whose starting point was the IFAC study regarding the public interest framework, confirms the extensive meaning of the public interest significance as well as the evaluation criteria. Following the statistical analysis, the appreciation of the public interest definition as 'too large' does not meet consensus among the majority of participants to the study. At the same time, the mediation between criteria and their re-ranking represent the main elements of dissension. The authors conclude that the trust generated by defending the public interest is reflected upon strengthening the legitimacy of the profession.

Keywords: ethics, public interest, private interest, evaluation criteria, ethical conduct

JEL Classification: M41, M42, M53, M59, G02

To cite this article:

Ardelean, A., Tiron-Tudor, A. (2018), Commitment to public interest in audit – an imperative of strengthening trust in the profession, *Audit Financiar*, vol. XVI, no. 4(152)/2018, pp. 527-543, DOI: 10.20869/AUDITF/2018/152/022

To link to this article:

<http://dx.doi.org/10.20869/AUDITF/2018/152/022>
Received: 03.10.2018
Revised: 03.10.2018
Accepted: 11.10.2018

1. Introduction

The auditors as professionals, through the expertise they put at the disposal of society, act as its trustees. The agency relationship aimed to supervise the interests of society is founded on trust and it legitimizes the position that the auditors have in society, which is of 'agents of trust'. Moreover, trust forms the foundation element that the profession lies upon, therefore it is not so disproportionate to assert that in the event that this foundation is shaking then the whole profession is to suffer. Once the doubt settles regarding the willingness and the competency of auditors to represent in an equitable manner the public interest according to the auditing standards, the utility of the profession is questioned along with its continuity.

The audit decision appears to be inhibited by the clarification of what the public interest means. Indeed, as the field literature pointed out (Davenport and Dellaportas, 2008), the notion of public interest is not specifically explained and this admits interpretations. Most of the time, the public interest is assimilated with that which brings most benefits to the most part of society¹. It results that the elements which bestow utility on the large public represent on the whole the public interest. However, unanimity regarding this notion is yet to be adopted and in order to standardize its attached connotations, IFAC (The International Federation of Accountants) advanced a framework to define the public interest and had the initiative to consult its members in this regard. In the third section of this study, we bring into consideration a statistical approach in order to examine the manner in which the definition submitted by IFAC generates general agreement among its members.

The IFAC initiative is justified by the fact that very few research studies were reported to directly discuss the notion of public interest and those who considered it are not consensual (Baker, 2005; Davenport and Dellaportas, 2009). At the same time, the notion is rather dispersed among practitioners so that an organism such as IFAC feels the need to submit a homogenous definition. For that reason, the IFAC initiative is salutary and necessary especially because of its association with the auditing profession.

1.1. The research methodology and the objectives of research

The public commitment of auditors regarding the public interest is accomplished by means of the audit quality which implies the respect of the ethical values of the profession. The conduct which is not based on the public interest produces uncertainty and undeniably untrust. The research topic is the *repercussion of auditors assuming the commitment to consider the public interest in a priority manner while conducting an audit* and more precisely the impact of this commitment in strengthening the trust in the profession.

To that effect, we discussed the notion of public interest applied in audit. The object of promoting the public interest is to consolidate the position of the profession. The *presentation of support* was built on differentiating the private and the public interest by highlighting the imperativeness to prioritize the public interest. The next step was encompassed by the statistical analysis that we conducted in the second part of the paper. Practically, we analyzed from a statistical point of view the key points of the IFAC study, namely the probability that a majority of respondents admit the impossibility to define the notion of public interest, as well as the consideration of the evaluation criterion which is the costs and benefits analysis as the main criterion to determine the public interest.

With regards to the methodology of the empirical analysis performed in SPSS v20, we tested the value of the variable P_I_Def (the public interest definition issued by IFAC) so as to obtain statistical evidence in order to establish the research hypothesis and to invalidate the null hypothesis. Thus, by an analysis type One-Sample T Test, we divided the mean of the sample values formed of 13 observations by 1. The tested value of 1 refers to the mean of observations P_I_Def and more precisely it equalizes with the presumption that P_I_Def is mainly considered to be too large. The Alpha value is 0.05 and a *p* value smaller than the Alpha value is sufficient evidence to reject the null hypothesis.

We adopted the same working method, respectively we proceeded to the perimetric analysis One-Sample T Test in order to establish if the variable P_I_Crit (the public interest evaluation criteria) presents as main objection the election of the three criteria selected by IFAC. The result reached by means of the significance test indicates that the mediation between criteria along with

¹ Fogarty, T. J., & Rigsby, J. T. (2010). A reflective analysis of the "new audit" and the public interest. *Journal of Accounting & Organizational Change*, 6(3), 300-329.

the reconsideration of ranking the criteria are likely to form the main opposing vectors since we invalidated the null hypothesis.

The paper is structured in three sections. The first part includes the introduction, the research methodology and some debates in the field literature. The second part designates the auditors referring to the public interest. In the third section we presented the IFAC vision regarding the public interest. The research ends with the conclusions section.

1.2. Some debates in the field literature

The notion of public interest was the object of the study conducted by Neu and Graham (2005), when its most significative representations expressed in the field literature were surveyed. Likewise, Parker (1994) defines the public interest as designating a large spectrum of actors interested by the audit result. Davenport and Dellaportas (2009) bring into attention the fact that the notion of public interest does not hold a concordant meaning for both the profession and the general public. O'Regan (2010) conducts an investigation regarding the self-regulation of the profession with regards to the public interest and he points out its limits because it does not find echo with the public it wants to protect. Lee (1995) considers that the private interest, especially the financial interest, is of priority for the members of the profession and that the public interest embodies first and foremost the method to protect it. Nevertheless, finding a just equilibrium between the private and public interest is more than a prerequisite for the profession, it is an obligatory passage (Tiron, 2013).

Dellaportas and Davenport (2008) expose through the functionalist theory how the commitment of the profession is to serve the public interest and that between the private and the public interest is no disagreement. This allegation is contradicted by Bédard (2001) and Parker (1994) for whom the public interest is brought forward just as long as it serves the private interest of the members of the profession. Bédard (2001) supports the fact that the priority is to protect the reputation of the profession and not to serve the public interest.

Notwithstanding, the relationship of trust that the profession forms with society is based on a set of rules of conduct and to respect the ethics code is a manner to protect the private interest along with the public interest

(Fisher et al., 2001). The ethics code of the profession is perceived by Parker (1994) as the umbrella under which the autonomy to auto-regulate is conserved and even more, that the ethics code services as much the public interest as the private interest. However, the study conducted by Davenport and Dellaportas (2009) strengthens the faith that an ethics code will consolidate the public interest and not the private interest, especially since the profession accepts by its intermediary a commitment towards society.

Davenport and Dellaportas (2009) bring into discussion the functionalist view regarding the profession where the public well-being, which it serves by means of a commitment sustained by social obligations, represents the end goal of the profession. The ideal of public interest is interpreted by the manner in which the members of the profession understand to enlarge the professional accountability by considering the wide interests of the community. The dual role of auditors, disputed by the commercial side of the audit practice on the one hand and by the assumption of protecting the public interest on the other hand, may acquire stability only through the advocacy of the public interest. To this effect, the study of Davenport and Dellaportas (2009) confirms the fact that breaches of the public interest have a very low frequency. A contradictory result of the study is that in case of dilemma the private interest is favoured which does not present consistency with the commitment to the public interest. Thus, it is pointed out the necessity that auditors extend the commitment to the public interest by adopting a remarkable ethical conduct.

A new approach on audit was exhibited by the study performed by Fogarty and Rigsby (2010) who analyze the abilities of the auditors to serve the public interest because ultimately the object of the audit reconceptualization is the fulfilment of its social role. Moreover, the auditing process gains legitimacy through the application of external regulation and the commitment to the public interest is confirmed as the biggest responsibility of the profession (Ardelean, 2013).

2. The association of auditors with the public interest

The auditing profession was always connected with the service for the public interest. The fact that a restraint number of professionals trained accordingly are designated to represent the wide public interest

represents a signal with regards to the aspiration of society to avoid to be reached by any prejudice because of default of competencies or motivation.

The research conducted by Neu and Graham (2005)¹ aims the type of commitment between the public interest and the accounting and auditing profession. The conclusion of the study they conducted establishes that there are few researches which actually debate about the connection between the profession and the public interest, especially by considering the objective of the profession as it was declared within the Ethics Code to serve the public interest. But the question we may ask is how is this interest protected? Or do we only have in front of us an assertion intended to ensure its self-regulation? We aim to find some answers in the course of this study regarding these questions.

The auditing profession is positioned so as to represent the public interest, a quality inherent to its professional status. The action oriented towards what brings benefits to the wide public is the very object of its existence. Through self-regulation, the profession understands to be the one to decide upon the manner in which it fulfils this aspiration. But since the well-known scandals which shook the profession, the self-regulation made way to external supervision. To this end, the independent supervision is likely to trigger more accountability from auditors². Therefore, the obvious concern displayed by the bodies which represent the profession and which are entrusted with its regulation such as IFAC to advance the public interest within the activity of auditors is significant in that it strengthens the position of the profession and signals the efficiency of self-regulation. All the more so since the Ethics Code issued by IFAC specifies that the public interest needs to be at the core of the profession's activity.

The **commitment** regarding the public interest means more than the search for recognition or social legitimacy. To support the commitment of the profession to protect the interest of society is related to the accountability it holds. At the same time, it is justified by the status the profession holds in society, the responsibility toward the

public interest being an intrinsic component of the profession, founded on the public's expectations. Ethics supported by an ethical conduct presents a capital importance for auditors in order to outline accepted practices. For that matter, they do not admit frequent breaches of the public interest. The study conducted by Davenport and Dellaportas (2009) indicates that the attitude of the members of the profession concords with the expectations of the public which is a satisfying signal regarding auditors.

The critical interpretation concerning the manner in which the auditors relate to the public interest promotes the fact that the commitment of the profession is altogether declarative and on the surface since its goal is to offer a barrier to advocate the private interests of auditors³, being them financial or of another nature. On the same line are placed the efforts of the profession to officialise the commitment to the public interest by adopting an ethics code. Other detractors disclose the fact that an ethics code is indeed favourable to reach the private interest against the public interest⁴. Such a view seems distorted when the role of the ethics code is appreciated as ensuring legitimacy and being at the same time an efficient approach to consolidate the self-regulation of the profession⁵. Likewise, Dellaportas and Davenport (2008) ponder that the role of a code of ethics is to guide the profession to serve more efficiently the public interest. To this end, the functionalist theory professes the harmony between the private and the public interest, proceeding to declare that they support each other mutually. We share this view because only by attaining the harmony between them, the private interest as well as the public interest can be fulfilled.

The crises which revealed the importance of the individual interest were fuelled by the neglect of the public interest. The consequence was that the public trust subsided in which concerns the competency and the volition of auditors to represent its interests on the grounds of the fiduciary contract between them. Thus,

¹ Neu, D., & Graham, C. (2005). Accounting research and the public interest. *Accounting, Auditing & Accountability Journal*, 18(5), 585-591.

² O'Regan, Philip (2010). Regulation, the public interest and the establishment of an accounting supervisory body. *Journal of Management & Governance*, 14(4), 297-312.

³ Lee, T. (1995). The Professionalization of Accountancy: A History of Protecting Public Interest in a Self-Interested Way, *Accounting, Auditing and Accountability Journal*, 3(3), 48-69.

⁴ Fisher, James; Gunz, Sally; McCutcheon, John (2001). Private/Public Interest and the Enforcement of a Code of Professional Conduct. *Journal of Business Ethics*, 31(3), p. 194.

⁵ Parker, L. (1994). Professional Accounting Body Ethics: In Search of the Private Interest, *Accounting Organization and Society*, 19, 507-525.

the renewal of the commitment towards the public interest is very probable to result in the consolidation of trust in the profession. The consideration as a priority of the public interest does not have to be perceived as an aspiration driven by critics but rather as the real goal of the audit. By establishing this legitimate objective, the profession strengthens its authority which was understood as such given the IFAC initiative to this effect. Thus, the examination of the public interest relevance discloses the accepted commitment of the profession to serve it not with the aim of avoiding sanctions but to acknowledge a real acceptance of auditors with regards to the responsibilities pertaining to them.

2.1. Antagonism and complementarity between the public interest and the private interest

Up to this point we featured what is the public interest, consequently we should specify that the references to the public interest are mainly related to the manner in which the profession protects the status it enjoys or the source of its revenues. Many times, the auditors are confronted with an ethical dilemma which supposes to make a choice likely to oppose the private and the public interest. To balance the two in order to reach an equilibrium is an exercise of ethics and more precisely it is required *to discard the private interest if this is detrimental to the public interest*.

Nevertheless, our belief is that between the two should not arise conflictual situations and consequently, placing them on opposing sides of the balance is pointless as long as the objective of the auditing activity is to serve the public interest. To balance them is necessary in order to limit the perception of domination of the private interest. This perception is rather an appearance or a fear expressed by those who want to promote the public interest, all the more so that in practice the disclosures of breaches regarding the public well-being are rare and much-publicized.

The manner in which the public expects the auditors to answer when conflicts of interests arise is anticipated by the ethics code of the profession. Notwithstanding, the effective method to protect the public interest may be *opposed to the clause of confidentiality* attached to the principle of professional conduct. With regards to this aspect, Davenport and Dellaportas (2009) point out that

the principle of confidentiality may be antagonistic to the duty of guardians of the public interest the auditors are called to fulfil. If the opposing character between these two obligations emerges, the dilemma will be solved by the obvious resolution that the auditors will honour their obligation to the public interest despite the importance attached to the clause of confidentiality. This is because to serve the public interest is the foundation on which is built the ethics code of the profession and it is the measure of evaluating the ethical conduct. The primacy attached to protecting the public interest needs to be upheld even if the principle of confidentiality is a contractual obligation for auditors since this is the way that a disaster involving the profession to be avoided. Furthermore, the priority to respect the public interest is highlighted by the ethics code.

The harmony between the private and the public interest may be obtained only conditional to the auditors acting as arbiters between the requirements of the client and the expectations expressed by the public¹. The convergence between them will be realized by the action of the auditors which is consonant with the contractual obligations to the client without causing prejudices to the public interest. Moreover, the alignment between the private and the public interest is placed on the curve of expectations from the auditing profession since this supposes the dismissal of conflicts undermining profoundly the validity of an audit. The consequence of duty fulfilment regarding the advancement of the common good is the strengthening of the prestige and of the influence of auditors and thusly of their legitimacy as agents qualified to produce value to the wide public.

The well-being of society is without doubt a priority up against the financial interest of the client. Given that auditors are called to act as trustees of society, they emerge as guardians of its interests. To this end, they will commit to their public duty high ethical and technical competencies. The specification that most of the time technical competencies are not enough if not duplicated by irreproachable ethical competencies is very much viable. More and more the auditors are associated with the image of professional experts and less with that of agents of society. This fact does not encompass the whole dimension the auditors enclose given that the

¹ Fogarty, T. J., & Rigsby, J. T. (2010). A reflective analysis of the "new audit" and the public interest. *Journal of Accounting & Organizational Change*, 6(3), 320.

commitment to society is an integral part of the profession.

The emergence of a conflict between the private and the public interest has as a consequence disapprovals or sanctions if it is not solved by considering and giving priority to the public interest. The authority spread by the action oriented towards the common good is supported by involving the public in these topics, as well as by the adopted regulation¹. This perspective is put forward by the well-known disclosures of scandals which burst once the public interest is disregarded which explains their low frequency. Indeed, the credibility image an audit bestows is highly important to the profession and it is the reason why direct breaches of the public interest are avoided. Thus, the neglect of the public interest will only produce discontentment and the exposure of auditors to such offences is risky because it brings into discussion the utility of an audit. In order to prevent such a scenario, the profession together with the regulatory bodies take measures to consolidate the public interest in audit.

Nevertheless, the investigation conducted by Davenport and Dellaportas (2009) shows that the auditors are presumed to support rather their own interest or that of their clients than the public interest. This result may be alarming and when it confirms it supports the critics issued with regards to the promotion of the private interest. However, such an inclination is recommended to be modelled so that the public interest be the priority and any conflict between the two may only be solved in this manner. This does not mean that the auditors cannot follow their own interests which is normal as long as the objective is constructive for the whole of society, but that such an approach does not have to generate conflictual situations regarding the public interest. Undoubtedly, the values of good and justice need to be promoted by the profession in order to create value for the society.

Thus, by protecting the interests of their clients, the auditors do not interfere ineluctably against the public interest, even if through this action they protect their own interest. Most of the time, the private interest represents a step towards building the common good. To favour the

private interest cannot be accomplished without complying with the public interest and to follow the individual interest needs to bring value to the profession in terms of reputation and statute. Such an approach will **consider the individual interest as complementary to the public interest and not in an antagonistic manner**. This view is supported by the functionalist theory which advocates the concord and not the contradiction in order to achieve common good. The balance between private and public interest is likely to comfort the authority of the profession².

Consequently, the primordality of the public interest is unquestionably the privilege of professionals such as auditors and the unequivocal application of the common good is part of the mandate they received from society³. Such a framework signals that the individual interest does not have its place if it is contrary to the public interest because it would cause damages to the profession's reputation with negative effects on the trust it inspires.

2.2. Strengthening the trust in the auditing profession

Despite the fact that the public trust was tried repeatedly, the consequence of the adoption by the profession of the ethics code is to surpass this aspect. The improvement of the perception regarding the auditors considering in a consequent manner the public interest is due to the fact that the profession highlighted its commitment within the ethics code and to the relatively rare direct breaches of the public interest. Thus, the ethical approach and the reliability it imprints outlines the ethical profile of auditors and their inclination to answer adequately to the requirements of non-arbitrary representation of the public interest.

The trust in the profession is related to perceptions of conduct and a conduct which is not centred on public interest does not produce trust. The unacceptable conduct, which advances the individual interest even if this is contrary to the public interest causes *in fine*

¹ Bédard J. (2001). The disciplinary process of the accounting profession: protecting the public or the profession? The Québec experience. *Journal of Accounting and Public Policy*. 20(4/5), 399-437.

² Tiron Tudor, Adriana (2013). Balancing the Public and the Private Interest? A Dilemma of Accounting Profession. *Procedia – Social and Behavioral Sciences*, Volume 92, 930-935

³ Ardelean, Alexandra (2013). Defining the public interest in relation to the accountancy profession: Some perspectives. *Analele științifice ale Universității Al. I. Cuza din Iași. Secțiunea Științe economice*, 60 (2), 223-240

damages to the profession¹. Without a doubt, the ethical conduct guided by the values described within the ethics code triggers recognition regarding the audit action which aims the common good. The profession's credibility is a condition of the impulse provided by auditors which supposes focus on their role as guardians of the public interest.

Thereby, the direct consequence of applying the public interest in audit is the strengthening of trust in the profession. The positive perception that the interests of a great number of users are represented contributes greatly to this favourable result for the auditors. More so since the legitimacy of auditors in society is founded on trust. To this effect, the IFAC initiative is called to support the capital of trust of the profession by advocating high quality ethical and professional standards. At the same time, it was demonstrated that high professional standards generate quality in audit which, if perceived as such, consolidates the validity of an audit². This fact denotes that the adoption of ethical regulation is reflected positively by the fact that the influence of the client is thusly minimized. Also, it was asserted³ that the limitation of the import of private interests may be achieved by the public being part of the debate which will trigger exterior regulation to those established by the profession. But the fact that the profession and the regulatory bodies (i.e. IFAC) choose to advocate serving the public interest in order to maintain and strengthen the trust of the wide public shows an aspiration to act voluntarily in order to keep the self-regulatory prerogative that the profession holds.

By actively contributing to the social well-being, the auditors oversee to maintain the essential relationship of trust with the public. The possibility that by following preeminently the individual interest the trust bestowed by the public is lost is not only a speculation but a fact supported with evidence every time a scandal involving the auditors occurs. It is well known that trust recovery supposes ethical conversion and an approach which

places at its core the public interest is likely to fulfil this desideratum.

3. The IFAC vision upon the Public Interest

Even if the public presents broadly a heteroclite profile, the definition provided by IFAC acknowledges similar interests. Thereby, through its association with the auditing profession, the public interest refers to the benefit of the auditing services that all social actors enjoy. Specifically, in the IFAC conception: *"We consider that the public interest is the sum of the benefits that citizens receive from the services provided by the accountancy profession, incorporating the effects of all regulatory measures designed to ensure the quality and provision of such services"* (IFAC, 2010).

In relation with the accounting and auditing profession, the public comprises a more extensive spectrum than the investors or the capital market because it encompasses all parties interested by the audit report. A definition of the public which comprises the parties towards which the auditors are accountable, regardless if there is or is not a contract, is almost all-inclusive. This is because the audit opinion affects directly or indirectly all stakeholders. Also, the clarification proposed by IFAC regarding the public delimitates a heterogenous ensemble of audit beneficiaries.

The definition recommended by IFAC regarding the public interest produces the great advantage that it displays an uniformity of this concept which is now understood in the same way by the profession and by the public. The establishment of a standard averts the ambivalence of the manner the members of the profession interpret the public interest which is in fact an integral part of the ethical and professional conduct. To include the public interest within the ethics code of the profession highlights the endeavour to promote this principle as a guideline through which the auditing activity is coordinated.

¹ Dellaportas, Steven; Davenport, Laura (2008). Reflections on the public interest in accounting. *Critical Perspectives on Accounting*, 19(7), p. 1081.

² Idem.

³ Bédard J. (2001). The disciplinary process of the accounting profession: protecting the public or the profession? The Québec experience. *Journal of Accounting and Public Policy*. 20(4/5), 399-437.

⁴ IFAC (2012), Public Interest Framework for the Accountancy Profession, Policy position no. 5, http://www.ifac.org/sites/default/files/publications/exposure-drafts/ED-Reg-Public-Policy_IFAC-Definitional-Framework-of-the-Public-Interest.pdf

3.1. The IFAC definition regarding the Public Interest – Statistical analysis

Starting from the analysis of the framework published by IFAC in November 2010 titled „IFAC Policy Position Paper 4 – A Public Interest Framework for the Accountancy Profession”, based on the answers received from the member bodies, we aim to carry out an investigation regarding the homogeneity of the answers related to the public interest, to the role of the ethics code and to the ethical values. Our approach is supported by endorsing a precedent study published under the title: “Defining the public interest in relation to the accountancy profession: Some perspectives” (Ardelean, 2013), whose aim was to discuss the pattern of the IFAC framework and to analyse the ensuing comments.

The 30 answers through which the IFAC members expressed their opinion with regards to the definition attached to the public interest provide relevant information regarding the manner it was perceived by the IFAC members along with some correspondent topics. Out of the total of 30 opinions, a number of 13 answers devise comments concerning the definition of the public interest in the form provided by IFAC, namely 43.33%. The comments expressed reveal skepticism and critical appreciation for the deficiencies and the expansion of the definition. The

remaining answers (a percent of 56.67%) display accord with the IFAC definition, which offers support that this is indispensable and opportune.

In order to perform the empirical analysis, we defined two variables namely the variable “ID Respondent” along with the variable “Public Interest Definition”. These variables analysed with the statistical program SPSS v20 show an acceptable level of fiability, rated at 0.499 (Table no. 1), when considering that the values of the interval are allocated between 0 and 1. This Alpha value of Cronbach indicates a satisfactory level of homogeneity between the respondents and the classification of the public interest definition for which was expressed an opinion.

Table no. 1. Fiability between variables, in SPSS v20

Reliability Statistics	
Cronbach's Alpha	N of Items
.499	2

Source: Own projection

In regard to the public interest definition, a percentage of 43.33% of respondents communicated a comment (N=13), when the rest of the respondents approved the IFAC framework on the whole.

Table no. 2. The Distribution of answers regarding the public interest definition, in SPSS v20

ID Respondent * Definition Public Interest Crosstabulation							
		Count					
		Public Interest Definition					Total
		Too large	Impossible to define	Need to specify	Counterproductive	Contextual to the profession	
ID Respondent	CIMA	0	1	0	0	0	1
	FEE	0	1	0	0	0	1
	JICPA	0	1	0	0	0	1
	CIFPA	1	0	0	0	0	1
	NASBA	1	0	0	0	0	1
	ACCA	0	1	0	0	0	1
	Joint Bodies Australia	0	0	0	0	1	1
	IBR-IRE	0	0	0	0	1	1
	AIA	0	0	1	0	0	1
	APESB	1	0	0	0	0	1
	AICPA	0	0	0	0	1	1
	ICAEW	0	0	0	1	0	1
	IDW	0	0	1	0	0	1
Total		3	4	2	1	3	13

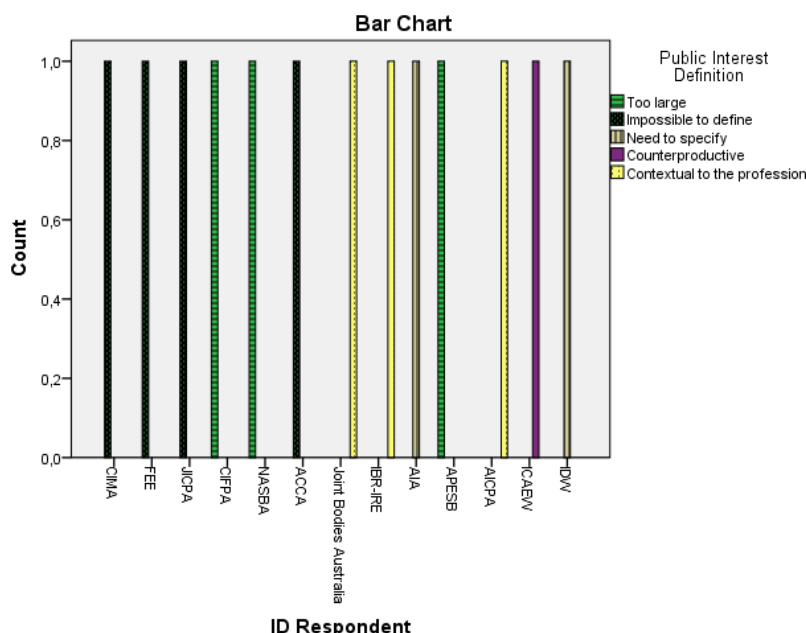
Source: Own projection

In **Table no. 2** we completed a crosstabulation between variables in order to reveal the option of each respondent, so that a nominative point of view is expressed regarding the public interest definition (the answer is marked with 1). We specify that we classified the definition succinctly as “too large”, “impossible to define”,

“counterproductive” or “contextual to the profession” or we distinguished the phrase “need to specify”.

To this effect, **Figure no. 1** is revealing for the type of comment expressed by respondents regarding the public interest definition in the form advocated by IFAC.

Figure no. 1. The answers regarding the public interest definition per IFAC member, in SPSS v20



Source: Own projection

In order to know if one of the 5 types of classification with regards to the public interest definition submitted by IFAC indicates a preference and can clearly detach from the others, we performed a frequency analysis. Thus, the frequency table for the variable “Public Interest Definition” (**Table no. 3**) indicates that a majority of IFAC members consider the definition advanced for the public interest to be “impossible to define” (a percentage of 30.80%). The proportion of those who qualify the IFAC definition as “contextual to the profession” is close to that comprised of members who esteem this definition as “too large” (of 23.10%). In fact, these two visions, that which implies a characterization of the public interest

definition as too broad and that which evaluates it as restrictive and applicable to the profession are somehow opposed. Finally, just a small part (7.7%) recognize it as “counterproductive” and do not agree with this definition. These results point to the fact that the definition advanced by IFAC is met in a relatively critical manner, it appears to be quite controversial since it is considered particular to the profession or too broad.

Furthermore, we remarked on some proximities between the 5 types of classifications we established. If we stop at only two categories we will have on one hand the classification of the IFAC definition as “impossible to define”, “counterproductive” and “contextual to the profession” in the first category and on the other hand

the qualification of the IFAC definition as “too large” and “need to specify” in the second category.

The interest to group the classes regarding the IFAC definition resides in the fact that the first category (which

would sum up 61.5% cumulatively) would be dominant in relation with the second category (which would sum up 38.5% cumulatively).

Table no. 3. The frequency of the types of classification regarding the public interest definition, in SPSS v20

Public Interest Definition					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Too large	3	23,1	23,1	23,1
	Impossible to define	4	30,7	30,7	53,8
	Need to specify	2	15,4	15,4	69,2
	Counterproductive	1	7,7	7,7	76,9
	Contextual to the profession	3	23,1	23,1	100,0
	Total	13	100,0	100,0	

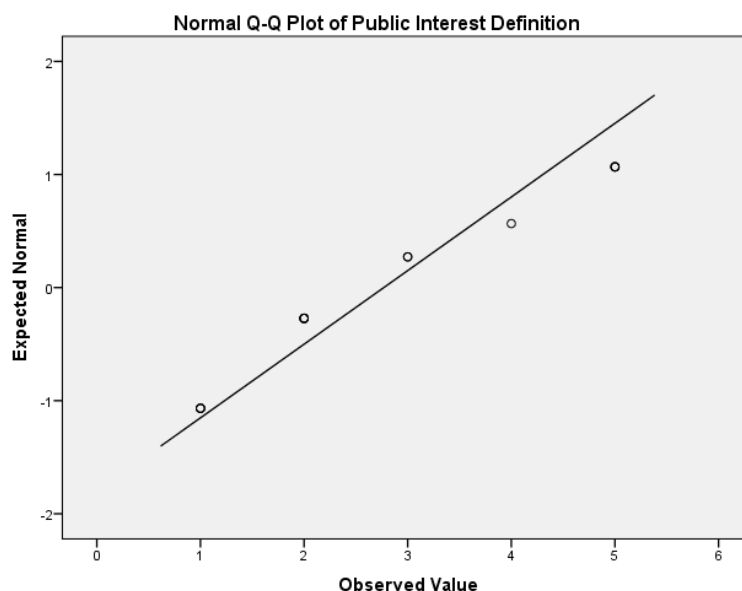
Source: Own projection

The sample characteristics

In order to examine the normal distribution of the Def_I_P variable we will perform a normality test type Q-Q plot (Figure no. 2). The aim is to observe to what degree the Def_I_P variable conforms to a normal distribution. By observing the disposal of points which correspond to classes of categories previously determined with regards to the public interest definition,

the disposal seems to be approximately uniform and linear, the points being disposed relatively close to the line. Given the fact that the data of the sample regarding the z value for *skewness* (it is of 0.74) and for *kurtosis* (it is of -1.064) which come within the interval $-/+1.96$ show that these do not differ significantly from normality and we can assume that these are approximately normally distributed.

Figure no. 2. The normal distribution of the Def_I_P variable, in SPSS v20

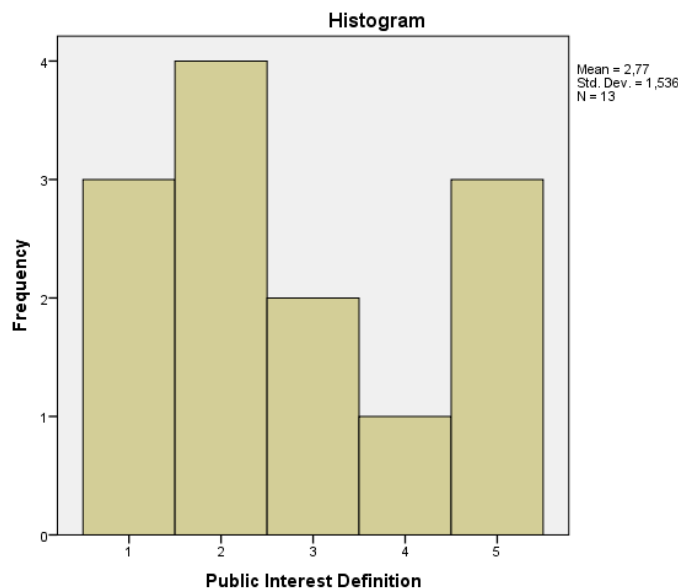


Source: Own projection

The histogram is consistent with the affirmation that the variable knows an approximately normal

distribution (Figure no. 3).

Figure no. 3. The histogram of the normal distribution of the Def_I_P variabile, in SPSS v20



Source: Own projection

Given that the 13 observations form the sample which is used to analyse the types of comments issued by the IFAC members regarding the public interest definition, we address the question if the mean of these observations is significative for the type of additional answers that could be issued regarding the IFAC definition. Thus, if other comments were to be expressed it is interesting to establish if these would be similar with those which form the sample or if these additional comments would not be analogous to those which show a mean of 1 (assimilated to a too large definition of the public interest as advocated by IFAC). Since we do not know the variance of P_I_Def we will use an analysis type **T Test One-Sample**.

Furthermore, we specify that we established the following codification for the IFAC definition:

- value 1 to classify the definition as "too large"
- value 2 to classify the definition as "impossible to define"
- value 3 to classify the definition as "counterproductive"

- value 4 to classify the definition as "contextual to the profession"
- value 5 to classify the definition as "need to specify".

Given that the IFAC definition is perceived as insufficient, as too comprehensive or as issued only to be applicable to the profession, we selected an analysis type T-Test in order to invalidate ($H_{0(a)}$) or to confirm the research hypothesis (H_1) which we specified, respectively:

H_1 : The IFAC definition is associated significantly with the impossibility to define it

$H_{0(a)}$: The IFAC definition is considered significantly to be too large

more precisely: $H_1: \mu \neq 1$; $H_{0(a)}: \mu = 1$, where $\mu = P_I_Def$ and $\alpha = 0.05$

In order to test the research hypothesis, we compare the parameters of the options expressed (1, 2, 3, 4 or 5) with the value 1 which corresponds to the option „too large”. To this effect, by the intermediary of an analysis type

One-Sample T Test we compare the mean of observations with the agreed upon value (respectively 1). The result of the test One-Sample T Test includes two tables (Table no. 4 and Table no. 5) that we interpret hereinafter.

Table no. 4 refers to the name of the variable under analysis (Public Interest Definition), to how many observations were considered (respectively 13 answers) and to their mean. The mean of 2.77 was calculated on the basis of the sample described above.

Table no. 4. The results of the analysis T Test One-Sample based on the sample, in SPSS v20

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Public Interest Definition	13	2,77	1,536	,426

Source: Own projection

Table no. 5 displays values based on the tested hypothesis which reveal that the public interest definition is too large $P_I_Def = 1$). The test parameters are t (the test), df (the degree of freedom), Sig. 2-tailed (the significance) and the Mean Difference. Sig. 2-tailed is the level Alpha associated with the value t . We specify that the value Sig. equals the value p and if Sig. (value p) is smaller than 0.05 (alfa) we will reject the null hypothesis.

Value t is 4.153 thus different from 0, while value df is 12 which coincides with the forecast because normally df equals the number of observations minus 1 ($n-1$), thus 12 in the present case. Hence the significance level is lower than 0.05 because it shows value 0.001 which allows us to invalidate the null hypothesis $H_{0(a)}$ that enunciates that the public interest definition is mainly considered to be too large. This means that $P_I_Def \neq 1$.

We may concede that the equation may be profiled as:
 $t(12) = 4.153, p = 0.001$

In other words, we are 95% sure that the public interest definition is not recognized by the majority of respondents as too large. On account of the fact that the mean of the sample is 2.77, we may acknowledge that $P_I_Def > 1$. Thus, we know in proportion of 95% that other additional observations would show a difference between the sample mean and the P_I_Def mean that would be placed between 0.84 and 2.70.

Likewise, the difference mean between the sample mean (of 2.77) and the P_I_Def mean (of 1) is 1.769. We have a different mean because the Alpha value is smaller than 0.05 and trust is high that we have enough evidence against the null hypothesis.

Table no. 5. The results of analysis T Test One-Sample based on the research hypothesis, in SPSS v20

One-Sample Test						
	Test Value = 1					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Public Interest Definition	4,153	12	,001	1,769	,84	2,70

Source: Own projection

The T Test analysis, by comparing the mean $P_I_Def = 1$, clarified that this is different from the mean of the sample set at 2.77. The invalidation of the null hypothesis was corroborated by establishing some significant statistical differences between the sample

and the analysed variable as a result of determining the research hypothesis which stood at the basis of the T Test result.

The rejection of the null hypothesis was validated by establishing some statistical differences between the

sample and the variable under analysis consequent to enouncing the research hypothesis which underlay the T Test result. If we would have determined that the null hypothesis would take the value 2 (thus close to the sample mean of 2.77), this would have been accepted based on a Sig. 2-tailed greater than Alfa of 0.05; at the same time, a value 3 for the null hypothesis could not have been invalidated for the same reasoning.

Through the analysis type T Test, we looked to confirm the hypothesis expressed H_1 according to which “*The IFAC definition is associated with the impossibility to define it*”. It is to be expected that other additional comments will be situated between the interval 0.84 and 2.70, when the mean of the sample considered is 2.77. These additional comments will register values higher than 1, but not greater than the sample mean.

3.2. Criteria of assessing the Public Interest – a statistical analysis

The IFAC members issued opinions regarding the validity of the criteria chosen to assess the public interest. The three criteria seem to be valid and are approved by the majority of respondents. At the same time, the role of these criteria is to form the basis of regulation and of evaluation of the public interest and for these reasons they are likely to be applied to the profession (Ardelean, 2013). The addition of the cultural and ethical diversity is positively appreciated.

First, we recall that the three evaluation criteria of the public interest are:

- *Criterion 1: Consideration of costs and benefits for society as a whole*

- *Criterion 2: Adherence to democratic principles and processes*

- *Criterion 3: Respect for cultural and ethical diversity*

Considering that the probability is low that the requirements of the three criteria are met simultaneously and at the same extent within the audit activity, it is mandatory to establish the prevalence of one of them. To favour one criterion to override the others (in the present case the first criterion of the three proposed by IFAC) would create the conditions for the clarification of the evaluation and action process of an audit. Generally, the first two criteria are acknowledged as part of the guiding principles, whilst the third criterion is appreciated as necessary to further build the profession.

The 10 observations that we hold for the empirical analysis (N=10) equal with the opinions of the IFAC members which disagree with or present skepticism for the chosen criteria. For this reason, we distinguished three groups with regards to the negative comments concerning the assessment criteria. The first group refers to the „criteria choice”, the second group concerns the „mediation among criteria”, while the third group relates to „criteria re-ranking”.

The frequency table (**Table no. 6**) shows that the highest percentage (of 50%) is composed of respondents who referred to the “criteria choice” through the opinions expressed. The opinions that may be matched with “mediation among criteria” display a percentage of 30%, while the comments that encourage a “criteria re-ranking” register a percentage of 20% of answers.

Table no. 6. The frequency of critical appreciations regarding the public interest criteria, in SPSS v20

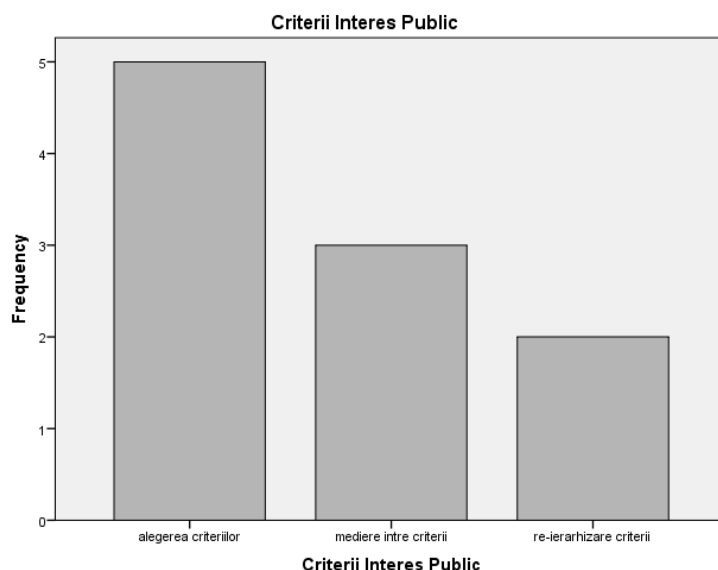
Public Interest Criteria				
		Frequency	Percent	Valid Percent
Valid	criteria choice	5	50,0	50,0
	mediation among criteria	3	30,0	30,0
	criteria re-ranking	2	20,0	20,0
	Total	10	100,0	100,0

Source: Own projection

The choice of the evaluation criteria regarding the public interest along with the position the IFAC members

adopted, through their critical constructive answers, are reflected in **Figure no. 4**.

Figure no. 4. The histogram of the categories of opinions regarding the public interest criteria, in SPSS v20



Source: Own projection

Furthermore, through a cross-table (Table no. 7) we reveal for which class of assessment criteria regarding the public interest the IFAC members raised an objection. This occurred either by

expressing some doubts concerning the choice of the three criteria, or by signifying disagreement with one or more criteria selected.

Table no. 7. The options of respondents regarding the public interest criteria, in SPSS v20

Public Interest Criteria * Respondents Public Interest Criteria Crosstabulation												
Count		Respondents Public Interest Criteria										Total
		CA Canada	CIMA	CNDCEC	CNDCEC Italy	Grant Thornton	ICAEW	ICAS	IDW	Joint Bodies Australia	Victoria University New Zealand	
Public Interest Criteria	criteria choice	0	1	1	1	1	1	0	0	0	0	5
	mediation among criteria	0	0	0	0	0	0	1	1	1	0	3
	criteria re-ranking	1	0	0	0	0	0	0	0	0	1	2
Total		1	1	1	1	1	1	1	1	1	1	10

Source: Own projection

By virtue of the 10 answers which enounce objections relative to the three evaluation criteria, we

endeavour to determine if other opinions are probable to express the same categories of

objections. The sample mean is 1.7, yet based exclusively on observing this mean we cannot determine what would be the most frequent objection that could be formulated by additional opinions. That is why an analysis type One-Sample T Test would bring light regarding the probability that other opinions rally the objection regarding the criteria choice ($P_I_Crit = 1$).

The research hypothesis and the null hypothesis are enounced as follows:

H_2 : The mediation among criteria and the ranking of the evaluation criteria regarding the public interest

according to IFAC are contested by a majority of respondents

$H_{0(b)}$: The choice of the evaluation criteria regarding the public interest according to IFAC is contested by a majority of respondents

respectively: $H_2: \mu \neq 1$; $H_{0(b)}: \mu = 1$, where $\mu = P_I_Crit$, and $\alpha = 0.05$

Considering the sample, the observations mean ($N=10$) is compared with value 1 which corresponds to objections mainly made with regards to the criteria choice. Thus, the sample mean is 1.7 (Table no. 8).

Table no. 8. The results of the analysis T Test One-Sample based on sample, in SPSS v20

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Public Interest Criteria	10	1,7000	,82327	,26034

Source: Own projection

Consequent to the hypothesis testing, we obtained a t value of 2.689, a df value of 9 (that is $N-1$) and a p value (Sig. 2-tailed) of 0.025. Given that the value of the significance level is smaller than 0.05 ($p < 0.05$),

we will **reject the null hypothesis** $H_{0(b)}$ according to which the criteria choice represents the main opposing aspect in relation to the evaluation criteria regarding the public interest (Table no. 9).

Table no. 9. The results of the analysis T Test One-Sample based on the researched hypothesis, in SPSS v20

One-Sample Test						
	Test Value = 1					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Public Interest Criteria	2,689	9	,025	,70000	,1111	1,2889

Source: Own projection

Thus, the T Test analysis denotes that the **$P_I_Crit \neq 1$** and the equation emerges as: $t(9) = 2.689$, $p = 0.025$

The difference mean is 0.7 and this value indicates the difference between the sample mean of 1.7 and the objections mean which is 1, according with the $H_{0(b)}$ hypothesis. We are 95% assured that other objections would be placed on the interval 0.1111 and 1.2889, but they would not surpass the mean sample value of 1.7.

4. Conclusions

Due to the efforts deployed by the profession along with the regulation bodies, its ethical level is perceived as high. The Ethics code issued by IFAC contributed decisively to outline an ideal image regarding what is expected from the auditors. Moreover, the Ethics Code offers real ethical guidance to the members of the profession when ethical dilemmas arise mainly through the injunction to serve the public interest. This is the duty of the profession and by applying this principle it can be

acknowledged that the authority of auditors comes reinforced. Thus, the Ethics Code offers elements of support as much to the public interest as to the private interest. Especially that an active commitment to the public interest is stimulated by the ethical values that the Ethics Code promotes.

The empirical analysis type T Test One-Sample based on the 13 observations produced sufficient statistical evidence to assert that this sample was not identified with a mean of 1, respectively the appreciation as too large of the public interest definition is not widely considered to be too extensive. Thus, we conclude that the sample deviates sufficiently from the P_I_Def mean so as to consider the constants of parameter different from 1. Since the sample mean is not evidence in itself to invalidate the null hypothesis, the significance test allows us to gain inferential support against the null hypothesis. Thereby, additional comments regarding the public interest definition are probable in proportion of 95% to register values between 0.84 and 2.70.

Considering that the sample mean is 2.77, these comments will not register higher values than the mean of the sample investigated.

Also, the parametric test One-Sample T Test was the statistical method through which we validated the research hypothesis that enunciates that the mediation between criteria as well as the re-ranking of them form the main objections to express when addition opinions are provided. Based on the significance test we rejected the null hypothesis which enounced that the criteria choice regarding the public interest would have been the main dissension of hypothetical future opinions. Therefore, additional answers would be situated within the interval 0.1111 and 1.2889, the upper limit being lower than the mean of the sample under investigation.

In **Table no. 10** we present a summary of the research hypothesis under investigation and whose result was detailed above.

Table no. 10. Recapitulation of the valid research hypothesis

Summary of research hypothesis	
The research hypothesis established	Result
H1: The IFAC definition is associated significantly with the impossibility to define it	<i>Sustained</i>
H0(a): The IFAC definition is considered significantly to be too large	Rejected
H2: The mediation among criteria and the ranking of the evaluation criteria regarding the public interest according to IFAC are contested by a majority of respondents	<i>Sustained</i>
H0(b): The choice of the evaluation criteria regarding the public interest according to IFAC is contested by a majority of respondents	Rejected

Source: Own projection

With a view to fulfil the aspiration to harmonize the public interest with the private interest, the profession recognizes that through the statute the auditors hold they have unwritten obligations towards the public whom they represent in front of their clients. Consequently, the public bestows trust on auditors which represents an intangible benefit and the very source of their presence on the capital market as actors whose duty is to consider with priority the interests of the wide public. Any deviation from this role is severely sanctioned through manifest skepticism and even untrust in the volition and the capacity of the profession to serve the societal interest to the detriment of their own interests.

Likewise, to serve the public interest and to place this goal at the core of the auditing activity equates with an

assertion concerning the prerogative of the profession to retain the essential elements for self-regulation, at least with regards to this fundamental aspect. The ethical values encourage a consistent ethical conduct which attests the commitment for the common well-being. Consequently, the strengthening of the ideal of irreproachable representation of the public interest results in growing trust and more legitimacy for the auditing profession.

The dilemma between the public and the private interest is solved by their harmonization and the immediate effect is that the public trust is enhanced by their alignment. The societal good comes as a priority so that the balance will bend in favour of the public interest if a conflict of interests arises. Thus, by promoting

excellence of auditing services as much regarding the professional competences as the applied ethical principles, the auditors pursue to serve inexorably the public interest. Their commitment expresses the categorical pledge of the profession for principles and

ethical values. As a conclusion, the primacy of the public service is tightly bonded on the ethical values of the auditors, while high ethical standards will support the commitment of auditors towards the public interest even to the detriment of their own interest.

REFERENCES

1. Ardelean, Alexandra (2013). Defining the public interest in relation to the accountancy profession: Some perspectives. *Analele științifice ale Universității Al. I. Cuza din Iași. Secțiunea Științe economice*, 60 (2), 223-240
2. Bédard J. (2001). The disciplinary process of the accounting profession: protecting the public or the profession? The Québec experience. *Journal of Accounting and Public Policy*. 20(4/5), 399–437.
3. Davenport, L. and Dellaportas, S. (2009), Interpreting the Public Interest: A Survey of Professional Accountants. *Australian Accounting Review*, 19, 11–23.
4. Dellaportas, Steven; Davenport, Laura (2008). Reflections on the public interest in accounting. *Critical Perspectives on Accounting*, 19(7), 1080-1098.
5. Fisher, James; Gunz, Sally; McCutcheon, John (2001). Private/Public Interest and the Enforcement of a Code of Professional Conduct. *Journal of Business Ethics*, 31(3), 191-207.
6. Fogarty, T. J., & Rigsby, J. T. (2010). A reflective analysis of the "new audit" and the public interest. *Journal of Accounting & Organizational Change*, 6(3), 300-329.
7. IFAC (2010), IFAC Policy Position Paper 4 – A Public Interest Framework for the Accountancy Profession, https://www.ifac.org/system/files/meetings/files/6059_1.pdf
8. IFAC (2012), Public Interest Framework for the Accountancy Profession, Policy position no. 5, http://www.ifac.org/sites/default/files/publications/exposure-drafts/ED-Reg-Public-Policy_IFAC-Definitional-Framework-of-the-Public-Interest.pdf
9. Lee, T. (1995). The Professionalisation of Accountancy: A History of Protecting Public Interest in a Self-Interested Way, *Accounting, Auditing and Accountability Journal*, 3(3), 48–69.
10. Neu, D., & Graham, C. (2005). Accounting research and the public interest. *Accounting, Auditing & Accountability Journal*, 18(5), 585-591.
11. O'Regan, Philip (2010). Regulation, the public interest and the establishment of an accounting supervisory body. *Journal of Management & Governance*, 14(4), 297-312.
12. Parker, L. (1994). Professional Accounting Body Ethics: In Search of the Private Interest, *Accounting Organization and Society*, 19, 507–525.
13. Tiron Tudor, Adriana (2013). Balancing the Public and the Private Interest? A Dilemma of Accounting Profession. *Procedia – Social and Behavioral Sciences*, Volume 92, 930-935