Communication ethics in audit

Anca Irina ȚIURA,
*Faculty of Journalism and Communication Sciences/
Doctoral Programme (FJSC),
University of Bucharest,
E-mail: anca_malancu@yahoo.com*

Alina DOMNIȘOR,
*Doctoral School of Accounting,
Bucharest Academy of Economic Studies,
E-mail: adomnisor@gmail.com*

Motto: *„It is not only a question of professional ethics, which are essential, but it is also a question of thinking about our organizations in such a way that responsible communication and the responsibility of communication are two sides of the same coin."*

García-Marzá

Abstract:

Business Ethics is a requirement but also a sine qua non criterion for the success of the auditor's professional work with implications, in particular, on the future of the profession. In depth, communication ethics refers to the fulfilment and evaluation of the moral norm in all aspects and manifestations of the communicative interaction.

The consequences of a non-ethical communication, which doesn't consider the moral norm, will have medium and long term effects for both the auditor and the audited company, and outside the company may negatively impact a large number of stakeholders (management, employee's families, state, customers, etc.).

Keywords*: Communication, ethics, communication ethics, audit.*

JEL Classification: *M42, Z1*

Introduction

Effective and efficient communication is one of the variables and, at the same time, one of the tools of strategies for change. It can help adjust attitudes, how to look at things and change behaviours.

According to the business dictionary, an ethical audit is a "Neutral, Third Party Verifiable Process to Understand, Measure, Report, and Improve an organization's Social and Environmental Performance" (http://www.businessdictionary.com). Detecting unethical business practices can be difficult in your own business, as it can be difficult to address ethical behavior towards customers.

So this article represents research into an ethic of communication, to discover the basis on which an ethical infrastructure can be designed for the audit to support confidence in the information provided.

1. General framework of communication and ethics

„Underlying coordination - as a function of management - communication is a process of transmitting information, in the form of symbolic messages, between two or more persons, some with the status of transmitter, others with receiver status, through specific channels"(Niculescu, Verboncu, 1999).

 Communication is a process in which information is ceded and received. It is an implicit process in which the members of a particular group are required to participate.

Most of the communication theories used in business relations are based on Carl Hovland's idea that "in order to change attitudes, we must first change our minds, and the attempt to do so is based on communication." In order to achieve efficiency in communication, the transmitter must pay attention to communication, understand it, accept it, and remember it. Once this communication reaches the level of acceptance, the question of credibility arises.

`Ethics was born and developed in ancient Greek cities, along with philosophy, in two different forms: as a complementary study that emerges from the research of other sciences and as the autonomous relative science of philosophical thinking` (Sarbu, 2005). In all historical periods there have been philosophers who have started studying this science and have worked out valuable works preserved to date.

Plato and Aristotle in antiquity, Kant and Spinoza in modern philosophy, Sheler and Hartman in the 20th century philosophy studied the second form of ethics, that of autonomous science, and elaborated works of moral and ethical philosophy (Sarbu, 2005). Of course these are just a few names, of greater resonance, we might say, of those who have stopped on the ethical reflection.

If ethics is a science, morality becomes the object that ethics is studying. However, this differentiation is very rare in everyday language. It can be said that human behavior is ethical, but it can also be said to be moral. Although two different terms are used, they express the same attribute in this context.

In Tudor Cătineanu's work "Elements of Ethics", the etymology of the moral term is also explained. So, the *moral* term comes from the Latin *mos-moris* which *means tradition, custom, habit*. Morality represents all the beliefs, attitudes, habits that regulate human behavior and relationships, and the relationships between individuals and society (Cătineanu, 1982).

We can say that moral judgment applies equally to both individuals and institutions. It can be said that an individual or an institution is morally correct if, through his actions, he promotes happiness and acts morally incorrectly if by their actions tends to promote the opposite of this.

Tudor Cătineanu says that morality is a real, collective and individual phenomenon that includes both the norms (principles) governing human relations and human activity patterns as well as all manifestations (subjective and objective) that are achieved, in various degrees and ways, under the sign of these norms or commands, manifestations subject to collective and individual appreciation (Cătineanu, 1982). So, we can say that morality encompasses all the principles upon which we build interpersonal relations.

The moral norm is the sentence that shows what an individual needs or does not have to do in several situational contexts for his actions to be considered good and not bad.

Each norm has two fundamental components, namely the imperative expression and the qualitative expression.

The imperative expression shows us what we have to do or how we should be. An example for this type of norm is the phrase *you must be good*.

The qualitative expression is communicated by the noun kindness and in this situation expression expresses a moral quality that is not associated with an action or a subject but is general.

The difference between the two notions is that moral appropriation is value property of nouns and moral qualities are extra individual units.

Peter Singer is the philosopher who introduced amongst the first the terminology and the concept of professional ethics to designate the application of ethical principles to various spheres of human activity. Applied ethics or professional ethics both include a set of rules or rules governing the conduct of people by virtue of their specific roles. "So we can talk about such sub-domains of applied ethics: medical ethics, bioethics, business ethics, legal ethics, political ethics, environmental ethics, ethics of administration, journalistic ethics, and ethics of public relations. For example, medical ethics include a code of conduct that prescribes what doctor / physician should do / do not as a physician (and not a human being). "(Tohăneanu, 2013).

Utilitarianism is defined as a doctrine that places supreme value in utility, is the conception that explains morality through utility, is the philosophical conception that considers utility to be the principle of all values. Starting from the ancient hedonistic morality (Aristip and Epicurus), English philosopher Jeremy Bentham (1748-1832) develops utilitarianism. But it is not just a new terminology; hedonistic morality has undergone another transformation: method and technique. Thus, he explains and defines concepts in a scientific and analytical form.

In his volumes „About freedom and „Utilitarianism", John Stuart Mill, considered to be the very first modern liberal, founded a new „hedonist" moral. He furthermore develops a principle according to which everybody has the right to act how he pleases as long as his deeds never hurt anybody else. If a committed act affects exclusively the one who commits it, society has no right to intervene, even if the person is doing harm, excluding those who are totally incapable of discerning (children or those not in the fullness of mental faculties).

If Bentham considers the amount of pleasures, Mill focuses on their quality. Mill argues that when assessing an action, one must take into account both quantity and quality criteria.

Utilitarianism is a consequentialist theory. Consequential theories are ethical theories that appreciate the morality of an action closely related to its consequences. In the volume "Introduction to the Principles of Morals and Law," Bentham considers the utility, "the principle of greatest happiness" as the foundation of morality. An action is moral if it brings the greatest happiness to the greatest number of people whose interests are touched. Utility is the property of any object to produce happiness and prevent misery. Happiness designates, pleasure and absence of pain, and unhappiness, pain and lack of pleasure. According to John S. Mill's view, the ultimate goal of morality must be "the happiness of mankind," an action being accepted or rejected insofar as it contributes to it.

But there are at least two criticisms that can be made to utilitarianism: (1) the practical difficulty of applying it - the accurate determination of the happiness that an individual action or a general rule is likely to produce (2) unfairness: can happiness of most be achieved most effectively by sacrificing an innocent minority

2. The connection of ethical communication with financial audit

Business ethics is a requirement but also a sine qua non criterion for the success of the auditor's professional work, with particular implications for the future. The ethics of activity is the one that preserves trust. But ethics, however necessary, is not enough to gain the trust of customers, the professional community or employees. Overlapping, but also intertwined, ethics with common features aim at respecting the assumed promises, consistency, honesty, integrity, mutual trust, objectivity, etc. Trust is therefore extremely important in business relationships. Trust actually means lowering the assumed risk. Trust, based on experience of good relationships with other people, businesses, groups, etc., will ensure the protection of rights and interests by reducing risk. The lack of trust can lead to a low coefficient of innovation, collaboration, creative thinking and productivity, since the people involved protect themselves and their interests rather than achieve their goals.

The image of an organization is the mental representation the public has about that organization. Therefore, the image is not in the organization but in its audience. In order to build a good image in public opinion, the organization needs to develop strategies and programs to create its own identity. Image is a good that is part of the company's patrimony and is managed just like any of its patrimonial assets.

In the ethics of audit communication, the utilitarian theory and its applicability stand out without doubt. The consequences of unethical, non-moral, communication will affect the medium and long term for both the auditor and the audited company and outside the company may harm a greater number of stakeholders (management, employees, families, the state, customers, etc.).

In the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements issued by IFAC IAASB, we can find the first reference to the term "communication" in the definitions: „*Assurance skills and techniques—Those planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from expertise in the underlying subject matter of any particular assurance engagement or its measurement or evaluation*"[1]

The ISA'a asks that „ the auditor exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit and, among other things:

- Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control.

- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.

- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained. (...)

The auditor may also have certain other communication and reporting responsibilities to users, management,

those charged with governance, or parties outside the entity, in relation to matters arising from the audit"[2] Therefore, the official communication of the auditor takes place on a wide range of activities, both by the audit report itself and by the mission letter, other documents issued during the mission, the information and requests addressed to those responsible for governance. But its communication is not limited to the official one, but comes to join informal communication in the procurement process of audit services, negotiation, appointment of the audit team, completion of the process.

The standardization of official communication is provided by IFAC, the European Commission, but also by the professional organization and the national oversight body, through precise regulations including strict ethical standards. Therefore, the auditor's communication applies to both the general ethical and the strict, legally enforced norms.

The International Ethics Standards Board for Accountants (IESBA), an independent stand-still body that serves the public interest by setting robust, international standards of ethics, including the independence requirements of auditors and accountants around the world, operates at IFAC like for all professional bodies. These standards are summarized in the "Handbook of the Code of Ethics for Professional Accountants".

Ethical codes are the formal statements of groups of specialists or firms that regulate the relationships between their own members and the other categories of individuals with whom the professional ties are made. Most ethical codes identify the expected behaviors in social relationships, recommend avoiding improper and illegal actions in the work done, and recommend good customer relationships. An ethical code formulates ideals, values, and principles that govern an organization. Beyond these elements, the Handbook of the Code of Ethics for Professional Accountant addresses the following issues: Professional appointment, Conflicts of interest, Second Opinions, Fees and other type of remuneration, Marketing professional services, Gifts and hospitality, Custody of clients assets, Objectivity, Independence in audit and

---

[1] IAASB - *International Quality Control, Auditing, Review, Other Assurance, and Related Services ronouncements*, 2015, volume 1, New York, page 15.

[2] IAASB - *International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* 2015, volume 1, New York, page 82.

review engagements but also in assurance missions, Acting with sufficient expertise, Financial interests, Inducements.

Through the Code of Ethics of the professional accountant, as well as through all professional ethical codes, the conflict of interests in the internal environment and in the external relations of the respective organization and profession is trying to be solved as well as the establishment of principles and requirements that make members aware of ethical issues. It does not contain basic theoretical concepts, but states practical implications, useful to all members of the organization. But an Ethical Code does not per se ensure morality, nor does it fully cover the existing situations in practice.

Any profession is a relationship between a professional and a client. Professionals are required to provide the service requested and paid as such by the customer (directly or indirectly), that is to do their duty.

Timo Airaksinen, a professor of moral philosophy in the discipline of Social and Moral Philosophy at the University of Helsinki, in his article "The philosophy of professional ethics" published in the Encyclopedia of

Life Support Systems (EOLSS), synthesizes some of the values of various professions as follows:

Profession	Value
Lawyer	Justice
Medic, medical assistant	Health
Teacher	Personal development
Social assistant	Wealth (assisting those with special needs)
Accountant	Correctness

Source: The philosophy of professional ethics, Airaksinen, T.

These values are considered to be targets, especially because they are inevitable, people expect that, by resorting to the services of a profession, they can get them.

In the auditor's communication, the communication process generally results directly between the Auditor and the persons responsible for the governance of the audited company but also in the reverse direction. The ethical or moral norm applies both to the auditor and to the audited organization and the messages it issues, as shown in **Figure no. 1**.

Figure no. 1
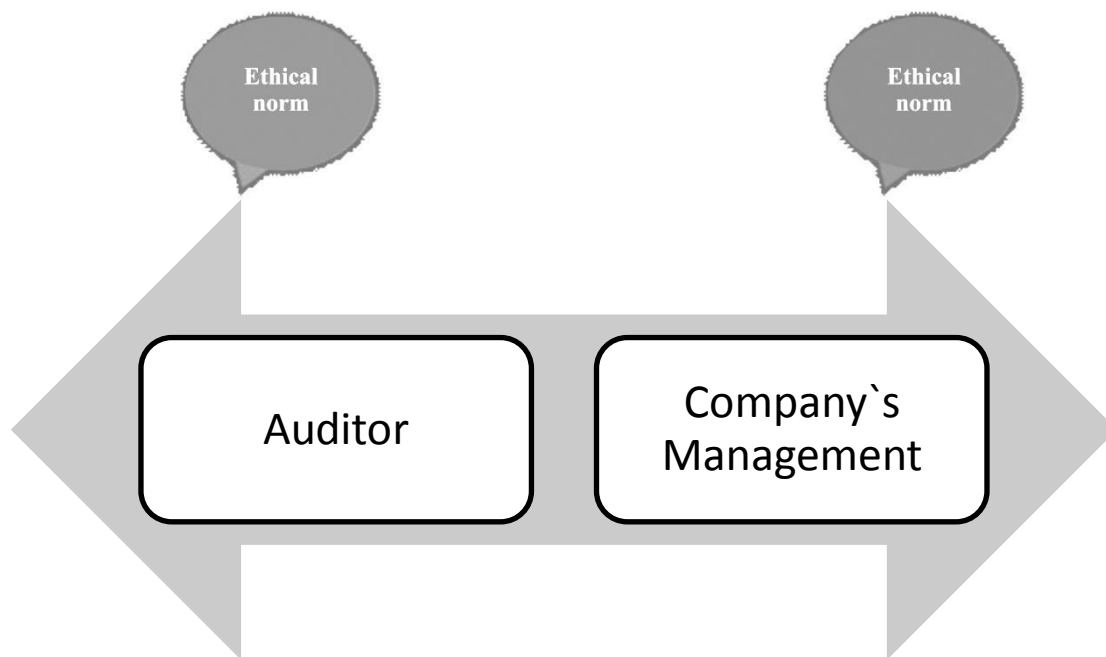
Source: author's conception

Unethical behaviors have both intrinsic factors that affect the personality of the communicator as well as external factors that influence the perception, attitude, but also the actions:

1. Gaining leads to many temptations, especially when predicting a steady gain by circumventing the ethical norm;

2. Role-Conflict - Many emerging ethical dilemmas are in reality forms of conflict of roles and interests that are unethically resolved;

3. Competition is another factor that can lead to unethical behavior. Here we refer not to the beneficial, which leads to exigency and professionalism, but to real illegal acts in which commercial crimes are found, such

as price fixing, dumping or violation of monopoly provisions.

4. Personality. People who are strongly oriented towards economic values are more exposed to ethical behavior than others. In their daily life, people aware of moral issues avoid unethical decisions, while others will be prone to making unethical decisions, using their power to promote personal interest.

Except for IFAC and the European Commission standardization on professional ethics of communication, auditors use communication with the public and to promote services, their business in general, and obtain the necessary information to carry out their professional activity. The leitmotiv of achieving the objectives in all these activities is "Confidence", as shown in **Figure no. 2**.

Figure no. 2
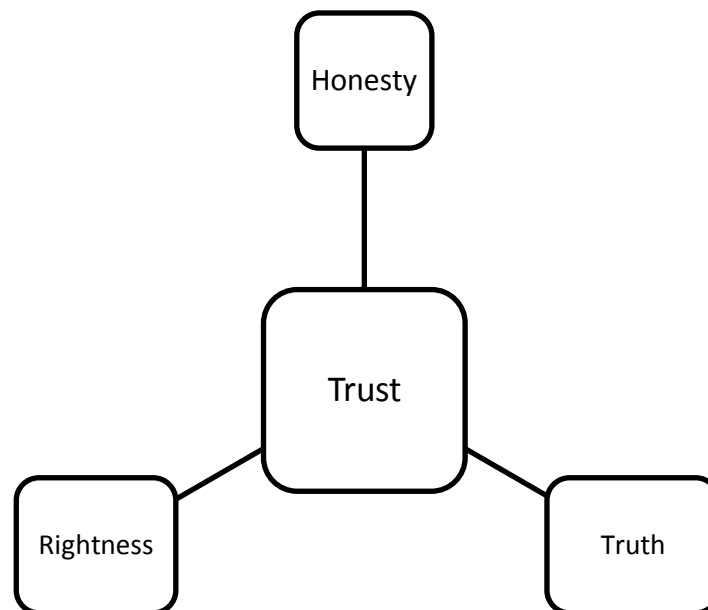
Source: García-Marzá, 2017

There are three ways in which we can make others trust ourselves: power, protection, and persuasion. Power implies the use of authority and the threat of obligatory, suggestive or outward (legal system). "Persuasion presupposes the use of communication to win people for a cause" (Newsom et al., 2003). "To persuade is to

make someone believe something, be convinced of that, or want to do something, with total adhesion" (Dagenais, 2003). Persuasion is the most difficult register of the communication process, the most severe examination. It aims to change the opinion of a person or audience and, implicitly, alter their attitude and behavior. The change of

opinion is in close connection with the training of the receiver. It has been shown that the trained need to change their opinion, truthful, complex, nuanced information, that is, information that gives them something extra, to respond to their intellectual curiosity. This process was called "changing opinion based on information". On the contrary, the less trained can change their minds on a minimum of information; they tend to modify their opinion based on less credible or flagrantly credible information than trained people. (Dobrescu, 2002)

Plato valued the truth and appeared outraged by persuasion. Kant also believes persuasion as immoral because he uses people. For Aristotle instead, persuasion can be used for good or bad, ethical or immoral. Hence, in its conception, the dual character of persuasion comes from the interest of its use. Aristotle also claims that it can be used by anyone. We convince people every day, and there is clearly a decisive personal interest in this action. Persuasion itself cannot be described as evil. It is just one of the many ways in which we interact with those around us, but often also in the organizational or political interaction of the masses. Going forward, on the thread of persuasion characteristics, we encounter manipulation. This is the way to take advantage of the others' credulity, deceiving them and thereby encouraging them to agree with the point of view. Manipulation is not mutually beneficial. It is advantageous only for the manipulator. At the subconscious level, people try to control each other in an organization or even in a family. One of the fundamental goals of communication is to create a specific opinion and to determine a certain behavior or attitude of the public to whom the message is addressed.

Thus, that message that wants to change a receiver's attitude is a persuasive message.

In the daily, people are subject to an avalanche of persuasive messages.

According to Ştefan Buzărnescu, the message has the intrinsic quality of being a carrier of a margin of manipulation. "In practice, maintaining an optimal between originality and banality, between the novelty and the predictability of the message through a global variation of originality during the transmission of the message allows the creation of a" perception window "compatible with the manipulation objective." (Buzărnescu, 2005)

Informational manipulation is a widely discussed subject in the public sphere, but also by sociological and psychological specialists. The public's fears are that the percentage of real, fair and ethical information becomes inferior to manipulative, false or deformed. Thus, we are witnessing the emergence of a generalized mistrust in the message issuers, regardless of whether they are state bodies, private organizations or the press.

To persuade or deceive, one person consciously and intentionally violates one of the four basic characteristics of correct information:

- Quantity: The information provided will be complete, without omissions;

- Quality: The information given will be truthful and correct;

- Relationship: The information will be relevant to the topic of the conversation in hand;

- Way: things will be presented in a way that allows others to understand.

Conclusions

Audits are designed to deeply penetrate company records to ensure reliability and accuracy in areas such as accounting systems, financial reporting and compliance. Audits generally refer to quantitative and easily measurable data. Ethical issues, on the other hand, are often more qualitative or subjective. A number of qualitative research techniques make possible an ethical audit, but an ethical audit necessarily works differently from any type of financial audit. This makes it necessary to have an overview of the company's commitment to ethics to hold the key to an ethical audit.

Developing an ethics of communication in the audit is to explain, justify and manage these assumptions or claims of validity in every communication practice and in organizational contexts where communication is conducted in such a way that an ethical framework can be established for the professional work of the auditor. Experience and the continuity of relationships can inform about compliance or non-compliance with these claims.

The ultimate goal is to advance to an ethical culture where the prevention and detection of harmful practices is a shared responsibility of the audited organization and the auditor.

BIBLIOGRAPHY

1. Airaksinen, T. (2010), Encyclopaedia of Life Support Systems (EOLSS) - History and Philosophy of Science and Technology, vol. 3, „The philosophy of professional ethics", Singapore.

2. Buzărnescu, Ș. (2005), course The Sociology of the Public Opinion, București, SNSPA, Faculty of Journalism and Communication Sciences.

3. Cătineanu, T. (1982), Ethics Elements, vol. 1, Ed. Dacia, Cluj-Napoca.

4. Dagenais, B. (2003), Public Relations Campaigns, Iași, Ed. Polirom.

5. Dobrescu, P., Bargaoanu, A. (2002), Mass media, power without counter power, Ed. Bic All, București.

6. García-Marzá, D. (2017), De los códigos a las auditorías éticas: una infraestructura ética para la comunicación de la responsabilidad social, El profesional de la información, marzo-abril, vol. 26, nr. 2, disponibil online la :

http://www.elprofesionaldelainformacion.com/contenidos/2017/mar/13_esp.pdf, accesat în data de 20.08.2018.

7. IAASB (2015) - *International Quality Control, Auditing, Review, Other Assurance, and Related Services ronouncements*, 2015, volume 1, New York.

8. IESBA (2015), Handbook of the Code of Ethics for Professional Accountants, 2015, New York.

9. Newsom, D, J., VanSlyke, T., Kruckebergn, D. (2003), Everything about Public Relations, Ed. Polirom, Iași.

10. Niculescu, O. și Verboncu, I. (1999), Management,- IIIrd edition, Ed. Economică, București.

11. Sârbu, T. (2005), Ethics: Moral Values and Virtues, Ed. Societății Academice Matei Teiu Botez, Iași.

12. Tohăneanu, C. (2013), Moral Philosophy Notions, Ed. Pro Universitaria, București.