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ACCOUNTING ETHICS AS A FOUNDATION FOR BUSINESS SUSTAINABILITY IN A DYNAMIC EUROPEAN POLITICAL CLIMATE

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Abstract
The accounting profession involves the production and verification of accounting information, which is vital for users' decision-making. Ethics in accountancy, which entails the observance of a set of moral and professional principles that guide the behaviour of accountants in the work they perform, is essential for maintaining public confidence in financial information and ensuring transparency, fairness and accountability in financial reporting. If, until now, ethics in accounting implied respecting traditional rules such as integrity, objectivity, confidentiality, professional competence etc., with the development of the digital era, it has taken on new dimensions and also involves protecting digital data, understanding the risks of technology, avoiding the abuse of automation, maintaining critical thinking and constant adaptation. At the same time, at a time when more and more companies are being forced to adopt environmental, social and governance (ESG) performance reporting standards, the shift to circular economies and sustainable business models require accounting professionals to understand and implement the integration of ethical, social and environmental dimensions in the process of preparing and reporting economic and financial information. In order to capture the main aspects of the evolution of accounting in the context of the ethical dilemmas that have arisen as a result of digital development, as well as new demands for sustainability and social responsibility, we used non-participatory observation as a study method, and the whole approach involves descriptive and comparative analysis. The data used are from various sources, such as literature, relevant institutions, but also from practical work. The originality of the study lies in the fact that we have access to the latest information on the current state of ethics in accounting.
Keywords: *accounting ethics; sustainability; digital development.*
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1. INTRODUCTION

Accounting, like all other professions, is governed by laws and regulations, both national and international. In fact, it can be said that in recent times, in the context of globalisation, international regulatory bodies have sought to ensure the transparency, comparability and credibility of accounting information provided by accountancy in any corner of the globe, which is why its contemporary evolution is characterised by *four phenomena*, namely: standardisation, harmonisation, convergence and internationalisation (Apostol, 2011).

Moreover, in addition to this legal and formal character of accounting, a very important element is the accountability of its professionals, who are in fact the producers of financial-accounting information, through the application of a set of moral and professional principles to guide their behaviour in their work. In a summarised formulation, this responsibility refers to the concept of ethics in accounting.

Ethics is a philosophical science about morals, or morality; morals are the set of concepts, ideas, values, principles, norms and ideals that guide and regulate the conduct of people, transformed into social deeds and actions (Bulgaru, 2018). There is a close link between the morality of the individual person and ethics organised and regulated at the level of codes, which is based on the education of each individual. Professional ethics presupposes behaviour based on honest and unbiased judgement, free from self-interest and is based on the idea of doing everything right.

Ethics in accountancy refers to the moral and behavioural standards to be met by accountancy professionals, based on a number of fundamental principles (e.g. integrity, competence, objectivity, confidentiality), with the aim of ensuring users' confidence in the financial information provided and the services offered.

The modern accountant has to evolve with the global economy, based on sustainability and digitalisation. Thus, the development of technology, the business environment, new management techniques, almost constant changes in legislation are some of the new challenges for the profession, and maintaining a high level of objectivity and integrity is also essential in the current stage of accounting development, as many users rely on the informed decisions and judgements made by the professional accountants.

2. LITERATURE REVIEW

Accounting is an area of major interest for both theorists and practitioners, as it plays an essential role in the functioning of any economic entity by providing financial-accounting information, which is indispensable in the process of informing managerial decisions.

While some authors have addressed issues related to the evolution of accounting and the accounting profession (Miller *et al.*, 1991; Napier, 2001; Apostol, 2020; Apostol, 2021; Apostol, 2023; McBride and Verma, 2021), others are concerned with the current stage of development and its future (Gonçalves *et al.,* 2022; Ahmad, 2023; Sokunbi, 2024).

Ethics in accounting is of particular interest, since confidence in the accuracy of financial-accounting information, as well as in the integrity of accounting professionals, depends directly on the observance of ethical principles related to this profession. After researching the articles dealing with this topic, we noticed that the issue of ethics in accounting started to be debated more intensively since the 20th century (Abbot, 1902; Montgomery, 1905), and with the development of digitalisation and, in particular, artificial intelligence, studies highlight that it means more than just following traditional rules (Lehner *et al*., 2022; Odonkor *et al.,* 2024). At the national level, the issue of ethics in accounting has also been debated with great interest by specialists. While some authors (Morariu, 2007) have focused on issues of competence, confidentiality and professional behaviour in the context of the Code of Ethics for Accounting Professionals, others (Popescu *et al.,* 2009) have studied the ethics of the accounting professional in the context of the global financial-economic crisis, and others (Țurlea *et al.,* 2011) have presented and analysed the existing regulations at international level, in the European Union and in the United States of America in terms of the ethics of the accounting professional.

3. METHODOLOGY

The aim of the research is to *highlight the main aspects of the evolution of accounting in the context of the ethical dilemmas that have arisen* as a result of digital development, but also of the new requirements of sustainability and social responsibility. Non-participative observation was used as the *study method* and the whole approach involves descriptive and comparative analysis. *The data used* represent information obtained from various sources, such as specialised literature, authoritative bodies, the media, as well as from practical work. *The originality of the study* lies in the fact that we have access to the latest information on *the current state of ethics in accounting* in the context of the profound transformations taking place in the current stage of economic and social development.

4. RESULTS AND DISCUSSIONS

The accountancy profession involves both the production and verification of accounting information, which is considered vital for users' decision-making. Therefore, total confidence in the accuracy of accounting information derives from the belief that all have in the moral standards that the accounting profession adheres to in the fulfilment of its duties. *Morality* is therefore the main factor in maintaining the accounting profession at a high level of prestige and integrity.

From the outset it should be made clear that the two concepts, *ethics* and *morality*, are closely related but not identical. ”Ethics provides us with a theoretical knowledge of the rules that are imposed on man, while morality aims at their practical orientation”. (Vidam, 2013) If we are to use digital technology, with a simple Google search, we have a summary generated by artificial intelligence, which clarifies that ”ethics refers to the systematic study of moral values, while morality is a set of norms and principles of behaviour accepted by a social group or community”. It is also stated that ethics is a theory, an abstract analysis, which seeks universal principles, while morality is the object of study of ethics and represents a set of rules, a practice, which may vary from one culture to another.

Based on these two terms, we can extrapolate and specify that *professional ethics* ”specifies the practices, rights and duties of the members of a professional group, criticises and sanctions professional malpractice” (Miroiu and Blebea, 2002), while *professional morality* refers to those principles and values that guide the behaviour of employees by following the rules, ethical norms and codes of conduct specific to each field of activity, and a third term that, together with these two, refers to what is right, just or fair is *deontology*, which is basically professional ethics or morality and professional law, which indicates the rules of conduct and ethical obligations within a profession (Muntean, 2023).

At the turn of the 21st century, there were several famous cases of ethical accounting violations. For example, the Enron case (USA, 2001), where the company used offshore entities to hide debts and increase profits, and the auditor (Arthur Andersen) destroyed documents and was actively involved in the fraud, is one of the biggest accounting frauds in history. The consequences were the bankruptcy of Enron, huge losses for investors, the disbanding of Arthur Andersen and major regulatory reforms (Sarbanes-Oxley). Another famous case is that of WorldCom (USA, 2002), which falsely declared more than $3.8bn as investments instead of operating expenses in order to boost apparent profits. The consequences were also drastic in this case and involved bankruptcy, criminal convictions, huge losses for shareholders. Similarly, the Parmalat case (Italy, 2003), in which the company issued false documents overstating debts or assets and used offshore entities to hide debts and increase profits, was the biggest bankruptcy in Europe with a €14bn balance sheet shortfall. The consequences were similar to the other cases presented, i.e. bankruptcy of the company, huge losses for investors, criminal convictions. Another equally serious case is Satyam (India, 2009), where the company's CEO admitted to falsifying the company's profit for years, reporting over $1bn in fictitious assets. Consequences include a crisis of confidence in India's IT sector, audit reforms and corporate governance.

All these cases, as well as the current context of globalisation, with all its challenges, have generated a growing focus on ethics in the accounting profession.

Essential for maintaining public confidence in financial information and ensuring transparency, fairness and accountability in financial reporting, ethics in accounting is regulated at both national and international levels. At the national level, the CECCAR has issued the National Code of Ethics for Accounting Professionals in Romania, which is in fact the translation of the Code of Ethics for Accounting Professionals issued by IFAC, and at the international level, we consider the International Federation of Accountants, the European Union and the USA. Table 1 compares international, European and US ethical regulations.

Table 1. International, European and US ethical regulations

Ethical accounting rules		
International	**European Union**	**USA**
Regulatory Authority		
• International Federation of Accountants.	• European Commission; • Council of the European Union; • European Parliament;	• American Institute of Certified Public Accountants (AICPA); • Securities and Exchange Comission.
Ethical Regulations		
• Code of Ethics for Professional Accountants 2009 (in force since 1 January 2011).	• Directive 2006/43/EC of the Council and of the European Parliament.	• AICPA Code of Professional Conduct, revised in 2010,
Fundamental Principles		
• Integrity; • Objectivity; • Professional competence and due care; • Confidentiality; • Professional behaviour.	• Integrity; • Objectivity; • Independence; • Professional competence; • Due care; • Confidentiality.	• Integrity; • Objectivity; • Independence; • Due Care.

Source: (Țurlea *et al.*, 2011, p. 9)

Therefore, bearing in mind accountants' responsibility for the integrity of the information provided to users, they have a number of specific obligations to respect certain professional ethics, which are presented in Table 1 as fundamental principles.

Integrity requires the accounting professional to be honest and avoid any fraudulent or misleading behaviour; they must not falsify documents, manipulate data or conceal relevant information.

Objectivity is characterised by communicating information fairly, objectively and fully; decisions should be made free from bias, self-interest or external pressure, and conflicts of interest should not exist or, if they do arise, should be disclosed.

Professional competence and due care implies maintaining professional knowledge and skills at the highest level, while at the same time providing competent professional services in accordance with the latest developments in the field. This principle also refers to the fact that the professional accountant is responsible for understanding and correctly applying accounting laws and rules.

Confidentiality prohibits the professional accountant from unauthorised disclosure of client or employer financial information. Exceptions are those cases prescribed by law.

Professional behaviour refers to compliance with the law, accounting regulations and the profession's code of ethics, acting in a manner appropriate to the profession and thus avoiding any actions that could bring it into disrepute.

The rapid development of digital technology, in the context of a sustainable economy, is also having a major impact on the accounting profession and its ethics. Figure 1 shows the ethical aspects of accountancy in the age of digitisation.

Ethics implies in the case:

Data protection and digital privacy:
- Data protection compliance (e.g. GDPR);
- Securing databases;
- Preventing data leaks.

Data integrity and accuracy of automation:
- Verification of accuracy of automatically generated results;
- Avoiding intentional manipulation of systems;
- Reporting system errors.

Transparency in the use of artificial intelligence and algorithms:
- The ability for specialists to be able to explain how and why a particular digitally generated conclusion was reached.

Combating digital fraud:
- Duty to identify IT risks and work with cyber security experts to prevent fraud.

Continuous updating of digital competences:
- Continuous learning to stay professionally competent and relevant

Accountability for decision automation:
- Specialists' accountability for the data and decisions they validate.

Figure 1. Accounting ethics in the age of digitisation

As a result, ethics in digital accounting means, in addition to following traditional rules, constantly adapting, protecting digital data, avoiding the abuse of automation, understanding the risks of technology, keeping critical thinking and more. All of this is clearly laid out in the International Code of Ethics for Accountants (IESBA Code), published by the International Federation of Accountants (IFAC), and International Standards on Auditing (ISA) requires that auditors understand clients' IT systems and consider digital risks, not ignore signs of fraud just because the digital system doesn't report errors.

At national level, supporting sustainable business has brought a number of changes and some challenges for the accountancy profession. For example, the introduction of e-Invoicing and the Virtual Private Space (VPS) requires accountants to be vigilant in respecting the authenticity and accuracy of the digital documents transmitted to avoid sending “rigged” documents to the state or unauthorized access to company accounts via the VPS. In addition, the use of accounting software, which automatically generates reports, requires the accountant to check them very carefully, since his signature implies professional assumption, even if the system generated them. Another important aspect is the digitization of accounting by some IT firms through SAAS-type applications, but without accounting specialists, which means an unprofessional practice without the supervision of a chartered accountant.

5. CONCLUSIONS

The current context of globalization, the dynamic European political climate in which sustainable business is conducted and developed, all the challenges faced by the accounting profession in this new era of digitalization, as well as the famous cases of accounting fraud, have prompted a special focus on ethics and morality in the accounting profession. As noted in this study, the lack of them can lead to financial collapses, job losses, criminal records or other problems. Therefore, ethics is not optional but essential to the accounting profession.

Accounting ethics, whether at national, European or international level, imply the use of digital technology with responsibility and human accountability for the digital information provided. Thus, respect for digital confidentiality, verification and validation of digital data, collaboration with IT specialists, reporting irregularities, transparency with the authorities, continuous professional training are just some of the requirements that the new generation of accountants must meet in order to maintain the trust of stakeholders in the accounting information received and prevent fraud through the manipulation of financial data, as well as to preserve the reputation of the profession, which is constantly adapting to the demands of the market, including the current one, in which sustainable business is predominant.

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