DEFINING THE PUBLIC INTEREST IN RELATION TO THE ACCOUNTANCY PROFESSION: SOME PERSPECTIVES

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Abstract

Confidence in accounting is conditional to justifying the legitimacy of the accountancy profession. To reinforce this confidence, IFAC issued a framework whose applicability is proposed to be verified through three criteria: a cost benefit analysis, adherence to democratic principles and processes, as well as the respect of cultural and ethical diversity. Hereby we analyzed the comments issued and found out that the complexity of the public interest notion makes it difficult to define, given its international reach. However, such a framework constitutes a step further to reinforcing the public’s confidence. We conducted a complex analysis and pointed out the relevant aspects regarding the axiom of public interest, arguing that the commitment to society is the highest responsibility of the profession. As a conclusion, since accountants have a responsibility to protect the public interest while striving to progress with the interests of the profession, a concession between the two is indispensable.

Keywords: public interest, cost benefit analysis, cultural diversity, code of ethics, ethical behaviour, public oversight, independence, scalability

JEL classification: H41, I31, I38, M41, M42, M59

1. INTRODUCTION

The accountants, in their role as experts of numbers, derive their legitimacy from their status as trusted agents of society and so the care and concern for the public interest needs to be central when undertaking an accounting or audit engagement. However, the question which arises recurrently is that referring to the definition of the public interest. In the past, several attempts to define the axiom of public interest were initiated (Baker, 2005; Dellaportas et al., 2008), which shows the interest of researchers as well as that of standard setters and professional bodies for providing a widely recognized interpretation of the notion. The complexity and the need to be universally recognized and accepted rendered its adoption difficult, yet IFAC, through the framework it issued, put some solid bases in order to achieve this long-term desiderate. The importance of IFAC initiative comes in a context when reinforcement of the public trust regarding the accountancy profession is an essential step in order to consolidate the legitimacy of the profession on the market - be it auditors, controllers, accountants, etc.. The IFAC framework delivers a sound conceptual basis for the public interest notion, seeking to cover the complex concepts surrounding it.
The desideratum for further regulation in accounting has its foundation in the scandals from the beginning of the millennium which pointed at the flaws surrounding the accounting profession, as well as in the outcome of the more recent financial crisis when all actors in the market, accountants included, proceeded to a review of their professional and ethical standards so as to meet the wider public interest. As such, any conflict of interest which may be determined directly or indirectly by financial pressure from the client or employer arising in the course of the accountants’ work needs to be counterbalanced by reinforced regulation, the primacy of the public interest being unequivocal. The fact that society recognizes that accountants act in the public interest improves the credibility of the profession and the importance of the standards used. Accountants, as experts who assume their public accountability, are encouraged to put the interests of the public ahead of their own interests to enhance their credibility. However, the private and public interests may not be in conflict, but a whole body pursuing the greater good and delivering public value, by aligning the interests of the profession with those of the wider public. As a consequence, the public confidence in the profession can be restored, the framework of IFAC giving rise to great expectations.

Our purpose is to conduct a complex analysis of the issues related to the public interest notion, highlighting that the accountancy profession acknowledges that the social contract stands as a bond with the public and therefore, to protect the public interest will contribute to strengthening the alignment with the broader public. Accordingly, we considered important to present the structure of the framework and the ensuing comments and recommendations from diverse accounting bodies, all the while extracting the conclusions of this analysis. Thus, our aim is to reflect the necessity of considering the public interest in the course of the accountants' work and how defining this very complex notion will better aid practitioners in accomplishing the mission for which they were appointed. To pursue with this objective, we will analyze the framework issued by IFAC in 2010 concerning the public interest in the accountancy profession. Equally important for us was to stress the fact that a concession between the public interest and the private interest is what will strengthen the profession.

The methodology employed within the current study is analytical in nature, respectively we have proceeded to an examination of the IFAC framework and of the comments and recommendations submitted by the accounting professional bodies, other professional bodies, audit firms and individual accountants, then we have structured them by the main themes that have been approached by respondents. Afterwards, we derived our own conclusions regarding the soundness and feasibility of issuing a definition of the public interest to be applied to the work and activities of the accounting profession. Equivalently, we applied a qualitative methodology to our analysis meant to build knowledge and to further bring the attention on the importance of the public interest to be applied by the accountancy profession, be it by using the three criteria proposed for its assessment or by using scalability.

The present study is structured in seven parts, as it follows: the first part encompasses the introduction, in the second part we rendered the literature review, the third part refers to some aspects of our analyzing the IFAC framework, the fourth point presents a regard over the accountancy profession and the public interest bringing forward some definitions along with explaining scalability, while the fifth section approaches the three criteria for assessing the public interest. Eventually, the sixth section refers to the responsibilities of accountants, to end with some conclusions.
2. DEBATES IN LITERATURE

The public interest represents a constant concern of regulators and more so in the aftermath of resonating scandals involving accountants and auditors, leading to a crisis of confidence within the public. (Kahn 2002). Indeed, there has been significant loss of trust in the profession (Windsor and Warming-Rasmussen, 2009) and there are issues that have yet to be addressed (Robson et al., 2007), like the risk of auditors and accountants attending to the public interest only as a side responsibility (Zeff, 2003b). The accountant is seen to have a public duty obligation (Suddaby et al., 2009) and to fulfill a social role (Lehman, 2005), while the idea of accountants and auditors seeing themselves as advocates of clients contrasts with the belief that they should work for the benefit of increasing the efficiency of the capital markets (Knechel, 2007).

Self-regulation was long perceived to serve the public interest (O'Regan, 2008), but the fact that accountants act within the public interest was debated (Baker, 2005) and in order to protect the public interest, greater regulation of accounting and auditing practices is deemed necessary (Cooper and Robson, 2006). Consequently, systemic attempts were made to determine what was the public interest (Willmott, 1990). The notion of 'public interest' as an object of regulation was rejected by the World Trade Organization because it was considered too broad and imprecise and the notion of 'consumer protection' was favored in its place (Arnold, 2005). Similarly, some researchers showed that the notion of public interest was regarded as vague and ambiguous and consequently the profession needs further guidance (Dellaportas et al., 2009) and they try to clarify the concept of public interest into the context of accounting profession interaction with the interested parties (Tiron-Tudor, 2013).

In which concerns the role of accountants with respect to considering the public interest within their work, studies (Dellaportas et al., 2009) pointed to the fact that even if the profession has a theoretical commitment towards the greater community, it is more self-centered. Similarly, there have been signals that accountants need to be more aware of their social role (Cooper, 2005). Therefore, the theory and the practice of the accountancy profession's commitment to the public interest has some more steps to perform towards reconciliation.

3. ASPECTS OF ANALYSIS OF THE IFAC FRAMEWORK

IFAC, as an international organization, has a declared mission to serve the public interest. Accordingly, its initiative to issue the framework on the public interest came as part of the regulatory activity with the aim to guide the accountancy profession in its work. The framework on public policy has been published by IFAC in November 2010 under the name 'IFAC Policy Position Paper 4 - A Public Interest Framework for the Accountancy Profession' and the responses were submitted by various professional bodies by March 2011, with the aim of completing the original framework. This framework establishes the basis for a support aimed at making sure there is compliance from its members with regards to the consideration of the public interest.

Having set the argument and circumstances for the IFAC framework, we have then proceeded to an examination of this framework based on the submitted returns by public and private institutions. Concretely, in order to analyze the received answers, we made a classification of the respondents which contributed with a comment to the public interest
framework issued by IFAC, by determining the type of respondents, along with their country of origin, as follows:

→ **Accounting professional bodies** - 21 responses: Accounting Professional and Ethical Standards Board (Australia), The Joint Accounting Bodies - Australia (Australia), Fédération des Experts Comptables Européens - FEE (Europe), Certified General Accountants Association of Canada (Canada), Canadian Institute of Chartered Accountants - CICA (Canada), CNCC-CSOEC French Accountancy Bodies (France), International Accounting Education Standards Board - IAESB (International), Hong Kong Institute of Certified Public Accountants (Hong Kong - Special Administrative Region of China), Service (India), Institute of Chartered Accountants of India (India), Consiglio nazionale dottori commercialisti e degli esperti contabili (Italy), Ethics Committee - CNDCEC (Italy), Japanese Institute of Certified Public Accountants (Japan), Association of International Accountants (International), CIPFA (United Kingdom), ICAEW (International), Association of Chartered Certified Accountants - ACCA (United Kingdom), The Institute of Chartered Accountants of Scotland (United Kingdom), Chartered Institute of Management Accountants - CIMA (International), National Association of State Boards of Accountancy - NASBA (United States), American Institute of CPAs (United States)

→ **Audit professional bodies** - 4 responses: Australasian Council of Auditors-General (Australia), IBR-IRE_Belgium (Belgium), Chamber of Auditors of the Czech Republic (Czech Republic), Institut der Wirtschaftsprüfer in Deutschland e.V. (Germany)

→ **Other professional bodies** - 2 responses: IOSCO (International), Victoria University of Wellington (New Zealand)

→ **Audit firms** - 2 responses: Ernst & Young (Kenya), Grant Thornton International (United States)

→ **Individuals** - 1 response: Denise Silva Ferreira Juvenal (Brazil)

According to the above classification, there were 30 answers submitted in reaction to the framework on the public interest. The responses came from diverse bodies, a majority were from accounting and audit professional bodies (25 answers), but responses were collected also from other professional bodies (2 answers), audit firms (2 answers) and individuals (1 answer). Overall, the accounting/audit bodies that offered an opinion regarding the framework were from all regions of the world, this heterogeneity rendering the conclusions derived from the submitted comments more relevant to the international context of action of the accountancy profession.

Due to the fact that the majority of answers were submitted by accounting bodies, the obvious agreement is that the topic represents a great interest for the entire profession, regardless of their location. Additionally, the wide range of professional bodies that offered a response from all around the world reveals the global scope of the accountancy profession as well as the commonality of topics of concern. The relation between public interest and the work of professional accountants, as well as the modus operandi to better contribute to its protection are important, since the commitment to the public interest is an essential aspect of the profession. Accordingly, accountancy profession's actions and policies need to be proportionate to the objectives of the public interest.

This segregation points that the audit professional bodies are also represented and there is manifested interest to all issues regarding the public interest, especially since auditors are in the first line of accountability towards the public, with a determined role on financial markets. Out of the 4 responses received from audit professional bodies and one was from Australia, 3 from Europe. Therefore, the diversity of locations of audit professional bodies offering an opinion on public interest, comforts the belief that these are inclusive and characteristic for audit stance.
The IFAC framework is basically organized around the three criteria, the concept of scalability, the two main questions aimed at defining the public and its interests, to end subsequently with the application by IFAC of the produced framework and the section of conclusions, as represented below. There are two main questions to which IFAC provides an answer, referring to ‘Who is the public’ of the accountancy profession's work results and ‘What are its interests’, which are a challenge to define for reasons of inclusivity, all the while avoiding to sketch a too narrow focus of these dual concepts composing the public interest.

<table>
<thead>
<tr>
<th>The Public Interest Framework: Three Criteria</th>
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<tbody>
<tr>
<td>Scalability in the Public Interest Framework</td>
</tr>
<tr>
<td>Who is the “Public” and What are its “Interests”?</td>
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<tr>
<td>The 1st Criterion: Consideration of costs and benefits for society as a whole</td>
</tr>
<tr>
<td>The 2nd Criterion: Adherence to democratic principles and processes</td>
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<tr>
<td>The 3rd Criterion: Respect for cultural and ethical diversity</td>
</tr>
<tr>
<td>IFAC’s Application of the Public Interest Framework</td>
</tr>
<tr>
<td>Conclusion</td>
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</tbody>
</table>

Source: [IFAC framework on the Public Interest (2010), as adapted by author]

Figure no. 1 Structure of the IFAC framework

In our study, we followed closely this structure, since we wanted to render how the framework has been received by the professional bodies and the comments it triggered and if there were contrary opinions, in order to determine the feasibility and accuracy of a definition of the public interest.

The IFAC initiative to identify the nature of public interest was appreciated because it affects the profession and its credibility to fairly represent the wider public interest. In their overwhelming majority, the consulted bodies expressed their cooperation for the development of the framework which is intended upon conceptualizing and defining the notion of public interest. The debate around the main issues surrounding the public interest, identifying the concept and the influence of the public interest for accountants, as well as its application, was launched on account of a necessity of a framework approach. A specific definition to be inclusive and widely drawn was seen necessary to be adopted due to the complexity of the concepts and the varied use of the public interest notion by stakeholders, hence the importance of this framework to be employed in a policy making context.

4. A REGARD OVER THE ACCOUNTANCY PROFESSION AND THE GENERAL INTEREST

The public interest notion holds a fundamental place for the activities performed by the accountancy profession which is deemed to ponder the services it provides in relation to the economic, political and cultural considerations. Professional accountants, as trusted experts, are expected to assume a responsibility for their role in society and to abide by their 'social contract' inherent to the profession, referred to within NASBA's response.

The recognition of the value that the profession brings to the wider society is transposed in the public trust invested in the profession. The confidence that the public confers to the profession accounts for the efficiency of the work the members perform and
the results of their work reflect in the financial soundness of the capital market. In this line of argument, accountants’ public accountability is fundamental for their commitment to create public value.

Some requisitions are expected to be fulfilled by accountants, in order to perform their mission as trusted experts, which refer to appropriate qualification, comprising theoretical knowledge, competencies, duty of care and professional judgement. Being properly qualified, members of the profession are expected to provide relevant and reliable information and for this, they ‘must act in the public interest by observing a code of ethics, applying international standards and performing a qualitative and competitive work’ (Grant Thornton response, 2011). The profession is also guided by a regulatory code of ethics with proper guidance to be observed, a contrary approach leading to sanctions from the community. Thus, by respecting the ethical standards of the profession and exhibiting an ethical behaviour, the accountants provide a reliable reporting and contribute to the ‘sustainable economic growth’ (IFAC, 2010).

Also, members of the profession need to be and appear to be independent and to be able to put the public’s interests ahead of the interests of their client or employer. For APESB Australia's response, an issue to consider is ‘whether accountants are able to satisfy the interests of the other members of the society in addition to the stakeholders that accountants generally report to’. Since a profession’s obligation to serve the public interest is what distinguishes a profession from other occupations, the interests of the public prevail over its own. Therefore, the accountancy profession has to find a balance between its own interests as a profession and the interests of the general public and establish a prioritization for the greater good of society.

4.1. Defining the notion of Public Interest

The issued framework is providing a definition of the public interest, seeking to identify it in relation with the activities of the members of the accountancy profession. Through this initiative, IFAC is assessing if the accountancy profession is properly serving the interests of the public, a corollary of the well-being of the society. Moreover, defining the public interest implies a commonality of interests, a challenge if one contemplates the fact that the public is far from being homogenous. Therefore, IFAC considers that the public interest is the common benefit that all citizens share from the services performed by the accountancy profession:

‘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).

As it is conveyed in the above definition, the notion of public interest is intertwined with that of accounting to express the concerns for accountability of the profession. Thus, the term of public interest is much used in correlation with the terms of 'accountants', 'auditors', 'accountability'. This definition of the public interest elaborated through the optic of the accountancy profession places its performances in the middle of the process of safeguarding the public interest. In addition, it opens the debate on the importance of the profession contributing actively for the greater good of society.

Overall, the bodies consulted agreed with IFAC on the proposed public interest concept. However, there were skeptical and even contrary comments, which either considered the definition too narrow or advised IFAC not to provide a definition because of the international dimension of the notion which may cause differences. Below we put these
comments in Table 1, so that the position of respondents on the controversial initiative of defining the public interest is highlighted:

### Table no. 1 Comments on the public interest definition

<table>
<thead>
<tr>
<th>Professional body</th>
<th>Comment on the definition of public interest</th>
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<tbody>
<tr>
<td>ICAEW</td>
<td>'We believe that two separate issues have been conflated here: what the public interest is and what acting in the public interest from the perspective of the accountancy profession involves' (ICAEW response, 2011)</td>
</tr>
<tr>
<td>CIMA</td>
<td>'The concept of the public interest is ambiguous and, therefore, it is not easy to define' (CIMA response, 2010)</td>
</tr>
<tr>
<td>FEE</td>
<td>'FEE is convinced that it is impossible to define the public interest and therefore strongly encourages IFAC not to go this way.' (FEE response, 2011)</td>
</tr>
<tr>
<td>JICPA</td>
<td>JICPA believes that 'it is impossible to determine definitely what the public interest is' (JICPA response, 2011).</td>
</tr>
<tr>
<td>CIFPA</td>
<td>'We would also suggest that it would be difficult to develop and form a consensus on the wider public interest' (CIFPA response, 2011).</td>
</tr>
<tr>
<td>NASBA</td>
<td>NASBA finds this definition 'overly broad' (NASBA response, 2011)</td>
</tr>
<tr>
<td>ACCA</td>
<td>'ACCA agrees that it is impossible to define precisely „the public interest”, particularly in light of the international dimension of the policy paper' (ACCA response, 2011)</td>
</tr>
<tr>
<td>Joint Bodies Australia</td>
<td>'The “definition” of public interest is explained solely in the context of the accounting profession, rather than a concept in its own right' (Joint Bodies Australia response, 2011).</td>
</tr>
<tr>
<td>IBR-IRE</td>
<td>'The ED fails to reflect that the interpretation of the term 'public interest' varies depending on the type of engagement' (IBR-IRE response, 2011)</td>
</tr>
<tr>
<td>AIA</td>
<td>'AIA supports the notion that without further specification of how the term „public interest” is given effect, references to the term are vague, non-operational statements and are counterintuitive' (AIA response, 2011)</td>
</tr>
<tr>
<td>APESB</td>
<td>'We note that the public interest definition in APESB's existing APES 110 Code of Ethics [...] refers to the community of people and institutions that the Members of the accounting profession serve and is a broader notion than citizens of a particular jurisdiction' (APESB response, 2011).</td>
</tr>
<tr>
<td>AICPA</td>
<td>The public interest is a benefit exclusively from services provided by the accountancy profession' (AICPA response, 2011)</td>
</tr>
<tr>
<td>ICAEW</td>
<td>'We have taken the view that a detailed definition would be counterproductive as the meaning must be context driven. General concepts as 'the common benefit' are a perfectly reasonable expression of the notion. ' (ICAEW response, 2011)</td>
</tr>
<tr>
<td>IDW</td>
<td>'Defining the public interest in at least three different incompatible ways and then not providing a deeper analysis of what it means' (IDW response, 2011)</td>
</tr>
</tbody>
</table>

Source: [author's projection]
Out of 30 respondents which commented on the framework, 14 respondents submitted a contradictory comment regarding the definition of the public interest, of which one held the opinion that IFAC shouldn't provide a definition of the public interest (FEE), while one respondent esteemed as hard to provide such a definition (JICPA).

The more skeptical respondents consider that it is not possible to provide a definition of the public interest, since there are several aspects to consider. More, the public interest concept is a 'broad notion which goes beyond any profession' (CIFPA response, 2011) and so a definition should not be provided because it risks being incomplete. Equally, the dimension of the notion is not very clear, especially that first a wide definition is provided and then the notion is referenced from the accountants' perspective. It is also difficult to form a consensus on the wider public interest, because the wider and narrower aspects of the definition can be confusing.

In addition, to provide a definition of the public interest notion may lead to an expectation gap, which can be countered by the means to put it into practice or else it is non-operational.

### 4.2. Defining the Public of the accountancy profession

The public to whom the work results of the accountancy profession are addressed must be comprised of all members of society who rely on the objectivity of the profession in order to make decisions based on the work of accountants and auditors. The IFAC framework states that:

'The public includes the widest possible scope of society: individuals and groups of all jurisdictions sharing an international marketplace for goods and services. [...] all consumers and suppliers [...] all users of financial information and decision-makers in the financial reporting supply chain [...] electors and taxpayers, who are citizens [...], are affected by the fiscal decisions of their respective governments for public expenditures and the distribution of public resources' (IFAC, 2010).

The notion of public is rather unclear because on the one hand the public includes the society as a whole being defined as 'the widest possible scope of society', while on the other hand, the public represents the totality of users of financial information and decision-makers in the financial reporting process. This specification ignores those who cannot be included in these categories, but who are affected by the quality of the financial information. Accordingly, the definition of the public should consider all individuals impacted directly or indirectly by the outcome of the financial information.

The public, as referred to in the framework as representing the citizens with different interests in the results of the accounting work, should be rather defined as the 'community of people and institutions that the Members of the accountancy profession serve' (APESB response, 2011). In this way, the collective welfare of the community is sure to be taken into account. The use of the word 'citizens', describing the interested parties into the outcome of accounting work, is susceptible to lead to a controversy as to whom is a citizen in a given political system: 'The reference to citizens may create conflicts with legislative definitions of who is a citizen in a specified jurisdiction' (APESB Australia response, 2011)

The public should be seen as the 'global community' (ACCA response, 2011) to whom the accountancy profession delivers public value and so, the public should comprise not only the direct stakeholders, but the society in general. Thus, the public must include all the members of society because the activities of the profession impact the wider aspects of the
community that needs to know that the profession behaves in an ‘ethical and socially responsible manner’ (ACCA response, 2011).

4.3. Defining the interests of the public with regards to the activities of accountants

Defining the notion of ‘interests’ of society is a challenge given the fact that the public is a disparate mass. Interest involves an association of a benefit in relation to certain members of the community: ‘interest is present if a benefit can be connected to the individual or community it relates to’ (APESB response, 2011).

‘In the broadest respect, ‘interests’ are all things valued by society. These include rights and entitlements, [...] things individuals (persons or entities) seek to acquire and control; they may also be ideals we aspire to and protections from things that are harmful or disadvantageous to us. [...] the responsibilities that professional accountants have to society’ (IFAC, 2010).

The public interests are ‘associated with the pursuit of outcomes’ (CGA response, 2011) and are corollary to public benefits. Interests are also assimilated with the responsibilities that the professional accountants have to society.

Concerns have been expressed if accountants feel inclined to respect the interests of other stakeholders than those to whom they are usually accountable to, since a large part of community has direct or indirect interests in the results of the accountancy profession’s work. The reporting of the financial performance of a company is important for many interested parties in order to take efficient decisions. Accordingly, it is obvious that the ethical standards and the interests of the community have to be given the importance they deserve in the detriment of immediate self-interests:

![Diagram](source: [author's projection])

**Figure no. 2 Reconciliation between the public and private interests**

The concept of public interest is subject to different application in practice. In situations when there are conflicts of interests, members of the profession should avoid the temptation of looking after their own interests and neglecting those of the general public. Whenever such a conflict arises, it is the public interest which must be paramount. It is our belief that the members of the accountancy profession shall advance with their interests, all the while considering the interests of the general public, and therefore a balance is expected to be found between them.

4.4. Scalability in assessing the public interest

Scalability is appreciated to be an important subject matter to be considered for any implementation measure in order to assess the relevance of the standards: ‘Scalability is indeed an essential issue’ (CNDCEC response, 2011). In the IFAC framework, the notion of scalability was put forward in relation to the assessment of the public interest.
Among the comments received, there were respondents (Grant Thornton, ACCA) which considered that the notion of scalability may create confusion for users of the framework. Additionally, it has been suggested that instead of scalability the use of the 'efficiency' notion was more appropriate (CICA response, 2011). The majority of respondents who commented on scalability requested concrete examples of how it can be applied.

Pondering that public interest needs may show different levels of expectations according to the size of the entity and there is a difference between a private-held entity and an entity with a broad range of investors. Since it proposes to measure the public interest depending on the size of the entities, a focus on impact and on proportionality was esteemed to be more appropriate than one on importance (ACCA response, 2011). Comparably, CIMA holds the belief that a more concrete way of measuring the benefits that the accountancy profession brings to the public interest would be to consider the negative impact caused by breach of trust or incompetence of members of the profession.

5. VALIDITY OF THE CRITERIA FOR ASSESSING THE PUBLIC INTEREST

To assess the public interest and the need to take action, a wider context of economical, political and cultural conditions must be considered by the accountancy profession. Accordingly, the three criteria advanced by IFAC seem to be valid as they represent a solid basis for standard setting and evaluation of the public interest, since they are applied to the specificities of the accountancy profession.

In order for the profession to decide what is in the public interest, it needs to determine the prevalence of one criterion over another because it is highly probable that an accountant will 'not meet all three criteria to the same degree and at the same time' (Joint Bodies Australia response, 2011). Consequently, the establishment of the prevalence criterion is important as a means to avoid any conflict in serving the public interest. Also, a balance between the three criteria is fundamental so as to serve the best interest of the community and therefore a 'trade-off between the three' criteria is advised (Joint Bodies Australia response, 2011).

All the while, a distinction needs to be made between the subject and the object of the evaluation, more specifically a distinction between the assessment of the public interest or the assessment of a decision taken in the public interest (CGA response, 2011):

\[
\begin{align*}
\text{CRITERIA} & \rightarrow \text{assess the public interest} \\
& \rightarrow \text{assess the decision taken in the public interest}
\end{align*}
\]

\[\text{DIFFERENT object or subject of evaluation}\]

Source: [author's projection]

Figure no. 3 Distinction between subject and object of evaluation when applying the IFAC criteria, as per CGA response

From the comments receives as a return to the IFAC framework, a majority of professional bodies approved the three chosen criteria. Unequivocally, the first two criteria are seen to be already part of the profession's guiding principles, while the third criterion is perceived as being an additional necessary component of the accountancy's overall structure.
By incorporating the cultural and ethical diversity in the profession's guiding principles, this will have an impact on the profession, contributing positively to the way it is perceived.

There have also been respondents who questioned the choice of the three criteria on public interest and either required further examples of implementation or didn't agree with one of the presented criteria considering it unnecessary, as reflected in the below table:

<table>
<thead>
<tr>
<th>Professional body</th>
<th>Comment on the criteria for assessing public interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICAEW</td>
<td>'Despite being called a framework, the three criteria discussed in the paper seem to have just appeared: there is no justification as to why these have been chosen, or which others might have been considered and discarded.' (ICAEW response, 2011)</td>
</tr>
<tr>
<td>CIMA</td>
<td>'[...] the document itself suggests that in respect of one criterion at least, it should be reinforced by other public interest criteria but does not expand on what those other criteria might be.' (CIMA response, 2010)</td>
</tr>
<tr>
<td>Joint Bodies Australia</td>
<td>'As the public is not a homogenous or uniform group a trade-off between the three will often be required and there is a lack of clarity on how this can be achieved.' (Joint Bodies Australia response, 2011)</td>
</tr>
<tr>
<td>IDW</td>
<td>'[...] assuming there is a tradeoff between the three 'criteria' when there is none, since the first three 'criteria' are not criteria' (IDW response, 2011)</td>
</tr>
<tr>
<td>CA Canada</td>
<td>'We note that the 1st Criterion [...] we question whether or not this is the appropriate criterion. As an alternative we invite you adding in this section the concept of &quot;risks and safeguards&quot; used in audit.' (CA Canada response, 2011)</td>
</tr>
<tr>
<td>CNDCEC</td>
<td>'We believe that the criteria identified at no.2 and no.3 do not represent autonomous criteria for assessing if the actions performed by professional organizations are responsive to the public interest. Such criteria seem rather to specify how the general criterion at no.1 is achieved.' (CNDCEC response, 2011)</td>
</tr>
<tr>
<td>CNDCEC Italy</td>
<td>'In our view, however, these three criteria are not self standing, as proposed in the paper, but are each a derivative of the other' (CNDCEC Italy response, 2011)</td>
</tr>
<tr>
<td>Victoria University of Wellington</td>
<td>'The criteria should be re-ordered to provide greater intellectual cohesion. The first Criterion should move to No3, followed by the existing No2, and then No1.' (Victoria University of Wellington New Zealand response, 2011)</td>
</tr>
<tr>
<td>ICAS</td>
<td>'We also believe that there is an inherent conflict between the 2nd criterion „adherence to democratic principles” and the 3rd'</td>
</tr>
</tbody>
</table>
As illustrated in the Table 2, the respondents consider the explanation of the three criteria, which are not deemed self standing, to be rather incomplete. The second and third criteria are viewed in some degree as a modality to explain the use of the first criterion. Equally, a merging of the second and third criteria is possible, so that adherence to principles and processes can be made according to the cultural diversity of the profession and so the framework has better chances of being adopted worldwide. Also, ICAS points that a conflict between the second criterion 'adherence to democratic principles' and the third criterion 'respect for cultural and ethical diversity' may arise because the respect of different cultural backgrounds does not necessarily mean that the democratic principles are observed everywhere.

Below is a graphic representation illustrating that accountants meet their public interest obligations in a global setting by applying the public interest criteria as suggested by the IFAC framework:

Source: [author's projection]

5.1. 1st Criterion: Consideration of costs and benefits for society as a whole

The criterion of cost benefit analysis, which needs to be taken in a societal context, has been attributed great importance and it is considered the lead criterion among the three presented by IFAC through which professional accountancy bodies may identify if their work serves the public interest.

The respondents who commented on the 1st criterion agreed that it implies that an action will provide superior benefits to the public than it will be costly, seeking the maximization of benefits in relation to costs for the community (Joint Bodies Australia,
APESB, IBR-IRE, CNDCEC, E&Y Kenya, AIA, Grant Thornton, NASBA, ICAEW). Thus, a cost benefit analysis of any proposed action will show if the benefits exceed the costs. Several remarks were made by respondents with regards to this criterion:

→ A clarification should be made about the proportion of the public incurring the benefits, that is if it refers to the majority or to all members of society (APESB response, 2011).

→ The cost benefit analysis is more qualitative than quantitative, but qualitative characteristics can be measured by use of contingent valuation methods (CGA response, 2011).

→ Net costs need to be considered and the challenge is that costs and benefits are very difficult to determine. [...] 'Ethical practice is the choice that produces the greatest good for the greatest number of people' (NASBA response, 2011)

→ There's a need for equilibrium that encourages to act rationally and to make the most appropriate choice (CNDCEC response, 2011).

→ To perform cost benefit analysis, time and manpower are required and 'the greater the impact the most significant would be the resources involved' (JICPA response, 2011).

→ Cost/benefit analysis can also include test field results and a periodical review after a certain number of years (CNDCEC response, 2011)

Only one respondent (CA Canada response, 2011) has questioned if this is the appropriate criterion and proposed to take into account the concept of risk and safeguards used in audit, in replacement or in addition to the costs and benefits criterion. As a matter of fact, safeguards are expected to diminish risks linked to the public interest, shielding the professional accountant from the risks he is exposed to while performing his work. Any decision needs to be pondered in terms of the impact it is likely to have on society, if this is going to be negative or positive and so an efficiency goal needs to be sought to be obtained out of such an analysis.

5.2. 2nd Criterion: Adherence to democratic principles and processes

The second criterion refers to conditions that professional accountancy bodies are recommended to adopt and implies that processes are necessary in order to evaluate public interest. ICAEW is of the opinion that 'this criterion appears to be about two separate things: the relevance of democracy and the role of set process' (ICAEW response, 2011). Indeed, there are six processes enumerated in the IFAC framework, as follows:
Among respondents, AIA considers this criterion as important, especially in relation to the relevance of democracy and the role of set process. The above principles are contributing to raise the confidence of society in the accountancy profession. The legitimacy of the accountancy profession is validated by the adherence and observance by its members of established rules and policies, seeking to act within the values of society.

Nevertheless, ACCA questions the necessity of this criterion and believes that it has the potential to cause controversy. Equally, it suggests that IFAC indicates that it would expect to make sure that a ‘thorough assessment has been made of whether the expectations of society are likely to be met’ (ACCA response, 2011).

5.3. 3rd Criterion: Respect for cultural and ethical diversity

The third criterion, issued to assess if the public interest is being served, refers to the respect of culture, tradition and beliefs. The respondents who commented on this criterion were overall supportive of its adoption, considering it the criterion which completes the assessment of the public interest, since it recognizes that international cultural differences may lead to different perceptions of the public interest.

Several remarks were made by respondents with regards to this criterion:

→ CA of Canada expressed concern regarding the concept of ‘cultural’ diversity and proposed instead ‘respect for legal and ethical diversity’ as more accurate (2011).
→ For IBR-IRE the cultural diversity is perceived as an added value, a source of inspiration (IBR-IRE response, 2011)
→ Respect for cultural and ethical diversity ‘provides for more convergence in the profession globally’ (E&Y Kenya response, 2011)
→ ‘We believe that IFAC intends to apply universal values when considering the public interest, while giving respect to divergence in views that might result from different cultures and ethical systems.’ (Grant Thornton response, 2011)
This criterion recognizes that there are international cultural differences that need to be 'respected'. It could mean that standards need to be set in such a way as to ensure the same result even with different interpretations' (ICAEW response, 2011)

Nevertheless, there were respondents that didn't agree with the presentation of this criterion. For instance, the Joint Bodies considered that explanation of the third criterion 'unconvincing and incomplete' to interpret the public interest. Equally contradictory was the position of AICPA which estimated that this criterion should reference only cultural diversity in order to avoid the implication that deviation on ethical matters be justified based on local norms. Grant Thornton's response questioned if this should be a separate criterion or if it can be integrated in the first two criteria. ACCA remarks that if a global interpretation of the public interest must be based on universal values, IFAC doesn't specify them. In an analogous manner, the observation that ethics vary from one society to another also 'seems to contradict the IESBA Code of Ethics for Professional Accountants'. (ACCA response, 2011)

The third criterion is more likely to be particularly applied in an international context. This is why the difference between civil law and common law countries with respect to jurisdiction has to be taken into account when assessing if the public interest is being served properly, considering as well the Islamic law, so as to reach homogenous public interests values.

6. THE RESPONSIBILITIES OF THE ACCOUNTANCY PROFESSION

A responsibility, as defined by CGA's response, is usually an 'obligation to pursue certain activities'. Respondents agreed that the accountancy profession needs to protect the interests of society. For more clarity, IFAC listed some responsibilities pertaining to accountants among which being the soundness of financial reporting, the comparability of financial information across borders, fiscal prudence in public expenditures and the contribution that accountants make to corporate governance and organizational performance.

Among respondents, CA Canada evaluated that the framework mentions a mix of responsibilities and proposed a distinction between the responsibilities of individual professional accountants, standard setters and those pertaining to the accountant regulatory body. Equally, JICPA believes that the reduction of economic uncertainty in the marketplace is not estimated to be a responsibility pertaining to professional accountants and recommendations were made to remove it or to further elaborate it (JICPA response, 2011).

The observance of high standards of ethical behaviour will reinforce trust in the profession, since an increased level of public confidence is deemed to contribute to the improvement of perceptions reflected in the economic activity. The accountancy profession contribution to the public benefit passes through a commitment to the public interest, as expressed below:
To conclude, in ICAEW's view, the responsibilities of the accountancy profession could be epitomized as 'protecting the public, promoting public confidence in the profession, maintaining and improving conduct and competence of members of the profession' (ICAEW response, 2011).

7. CONCLUSIONS

The overwhelming majority of the bodies consulted welcomed the IFAC initiative and acknowledged the necessity of debating about the public interest from the accountancy profession perspective. The framework states that the profession has to remain true to its responsibility to serve and protect the interests of society and to meet its public interest obligations in a general setting, as a means of improving its credibility.

It is clear that the main purpose of the framework is to define the public interest, although IFAC acknowledges that it does not establish definitely what is the public interest. Within the framework, two specters of looking at the public interest detached: one centered on explaining what is the public interest and the other centered on what means to act in the public interest from the perspective of the accountancy profession. It was the conviction of ICAEW that to focus on one of these two aspects might reduce the impression of complexity which results from the paper.

In which regards the three criteria proposed within the IFAC framework, a majority of the remarks provided by professional bodies concur that the three are important, although the first criterion, Consideration of costs and benefits for society as a whole, is viewed as the main criterion. It was even suggested that the other two criteria, that is Adherence to democratic principles and processes as well as Respect for cultural and ethical diversity, be subordinated to the first criterion. We think that in order to evaluate the adherence to the public interest by the profession, the three criteria should be used in order to match results and priority should be given to the first criterion, as more probable to generate pertinent reports.

Moreover, our opinion is that rendering the profession aware of its public interest duty is the foremost step in actually performing to the best interest of the wide community. Therefore, we subscribe to the necessity of such a framework with regards to the accountancy profession given the strategic place it holds on the capital market as well as the
import to act for the welfare of society. After all, the accountancy profession has a societal duty and abiding to its responsibilities with the utmost consideration for the public's interest will reinforce the profession's legitimacy. As an overall conclusion, the framework has brought forward the issue of public interest in a systematical manner and with greater depth than it was attempted before, as a means to go forward with the debate. It represents a way of expressing that the profession, while naturally promoting the interests of its own members, is also concerned for the wider public interest. In fact, the IFAC framework, expected and entirely appreciated, produces a modality to reconcile the theory and the practice of the accountancy profession with regards to the public interest. Indeed, the framework points towards the importance of the accountancy profession to consider the wide community's interests in order to strengthen its legitimacy as a profession.

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