

Importance of Code of ethics in professional accountancy. An Empirical Study: Case of Algeria

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Abstract : Accounting is an integral part of the business and finance world. Ethics in professional accountancy are of utmost importance. Now as the business and financial world is adopting international accounting and auditing standards, it is becoming all the more necessary to adhere to certain code of ethics prescribed by international and national accountancy bodies. It's better to start with an unsophisticated code, developed and revised according to sound principles, than to lose the benefits of having one or worse, to promote a code that's irrelevant or unrealistic. Because codes of conduct are key factors in influencing an organization's reputation and success, the responsibilities associated with developing and implementing an effective code are shared, in the case of Algeria, between the organization and the professionals.

Résumé : La comptabilité fait partie intégrante du monde des affaires et de la finance. L'éthique dans la profession comptable est de la plus haute importance. Maintenant que le monde des affaires et des finances adopte les normes internationales de comptabilité et

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d'audit, il devient d'autant plus nécessaire de respecter certains codes d'éthique prescrit par des organismes internationaux et nationaux de comptabilité. Il est préférable de commencer avec un code simple, élaboré et révisé selon de bons principes, que de se priver des avantages que procure le fait de disposer d'un code ou de promouvoir un code non pertinent. Parce que les codes de conduite sont des facteurs clés pour influencer la réputation et le succès de l'organisation, les responsabilités associées à l'élaboration et la mise en œuvre d'un code efficace sont partagés, dans le cas de l'Algérie, entre l'organisation et les professionnels.

Key Words: Code of Ethics, Professional accountants, Sound principles, Integrity, Guidelines.

Introduction:

Accounting is an integral part of the business and finance world. Ethics in professional accountancy are of utmost importance. Now as the business and financial world is adopting international accounting and auditing standards, it is becoming all the more necessary to adhere to certain code of ethics prescribed by international and national accountancy bodies.

The general ethical standards of society apply to people in professions such as medicine, law, nursing and accountancy etc, just as much as to anyone else. However society places even higher expectations on professionals. People need to have confidence in the quality of the complex services provided by professionals. Therefore the accountancy profession can be effective if the accountant practice good ethics. And wherever there are stakeholders involved, ethics in professional accountancy cannot be ignored.

So what are these professional ethics? Why are they important for professional accountancy? Why is it necessary to adhere to a code of ethics developed and revised according to sound principles? The purpose of this paper is to shed light on the topic.

I. Ethics in professional accountancy

1- Basic concepts

As mentioned earlier, ethics in professional accountancy are of utmost importance to accounting professionals and to those who rely on their services especially decision makers. Before arguing in favor of the topic, let's have a look at some basic concepts:¹

1-1 Profession: A profession is an occupation that requires extensive training and the study and mastery of specialized knowledge and usually has a professional association, ethical code and process of certification or licensing. Each profession holds to a specific code of ethics and members are almost universally required professing to a higher standard of accountability and also extensive training in the meaning value and importance of its particular oath in practice of that profession.

1-2 Accountant: Practitioner of accountancy is known as accountant, qualified accountant. Professional accountant is a legally certified accountant and financial expert. Like many other professions, there are professional bodies for accountants throughout the world.

1-3 Role of professional accountants: Accountants are independent business advisors.

Accountants can offer an extensive range of services. Accountants can be registered auditors, can set up clients accounting systems, can be advisors on tax planning or a detector of frauds and embezzlements, can do budgeting and financial statement analysis, advice clients on financing decisions, and can help maintaining an ethical environment.

¹ Ghazala Saeed. Are Ethics important for professional accountants? April, 5, 2007. [Http// Ezine Article.com](http://EzineArticle.com). Retrieved Sept, 15, 2012.

2- Accounting ethics definition

After discussing the basic concepts, we are in better position to ponder on what ethics and accounting ethics are and why they are important for professional accountants.

2-1 Definition of ethics

The word “Ethics” is derived from the Ancient Greek word “Ethicos” means customs and habits.¹

The word “Ethics” is defined as “Standards of conduct or moral behavior”.²

The term “Ethics” is also defined as:³ “The decisions, choices, and actions (behavior) we make that reflect and enact our values”.

“A set of standards of conduct that guide decisions and actions based on duties from core values”.

We notice in the previous definitions of ethics the terms morals and values come up, so it is interesting to define values and morals.

“Values are the core beliefs we hold regarding what is right and fair in terms of our actions and our interactions with others”⁴. They are the principles we use to define which is right, good and just. Values provide guidance, they are our standards.

Morals have a greater social element to values and tend to have a broad acceptance. Morals are values which we attribute to a system of beliefs typically a religious system, government or society. We thus judge others more strongly on morals than values.⁵

Now that we shed light on the differences between values and morals, ethics can be defined as” Ethics in its broader sense, deals with human conduct in relation to what is morally good or bad, right or wrong, it is the appreciation of values to decision making. These

¹ Ibid.

² Oxford Learner’s Pocket Dictionary. Third Edition. P146.

³ Ethics, Compliance& Audit Glossary.2006.http// www.ethics.retrieved Sept, 15,2012.

⁴ Ibid

⁵ Values, Morals and Ethics. Http//www Character Ethics. Retrieved Sept, 16, 2012.

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values include honesty, fairness, responsibility, respect and compassion”¹

From the above, ethics for professional accountancy or accounting ethics can be defined as “As set of distinct guidelines (consisting of judgments and moral values) that a professional needs to follow while practicing accounting”.

3- Importance of ethics in professional accountancy

First, the nature of the work carried out by accountants and auditors requires a high level of ethics.² Since Stake holders (shareholders, potential shareholders) and other users (clients, credit grantors, governments, taxation authorities, employees) of the financial statements, rely heavily on the yearly financial statements of a company as they can use this information to make decisions, therefore, ethics in accountancy are invaluable to accounting professionals. Especially to those who rely on their services, because these latter perceive them as highly competent, reliable, objective and neutral people.

Thus professional accountants must not only be well qualified but also possess a high degree of professional integrity.

Second, Knowledge of ethics can help professional accountants to overcome ethical dilemmas.³ The accounting profession and the business sector as a whole is going through ethical crisis these days. From the 1980's to the present, there have been multiple accounting scandals around the world that were widely reported on the media and resulted in fraud charges, bankruptcy protection requests, and the closure of companies and accounting firms. Various companies had issues with fraudulent accounting practices including for example Nugan Hand Bank, Pharma Mor, Worldcom, Par-

¹ Narayani karthik; Accounting Ethics. <http://Buzzle.com>. Oct 2010. Retrieved Sept, 16, 2012.

² Alexander, David ; Anne Britton. Financial Reporting. Cengage Learning EMEA. 2004. P 160.

³ Duska, Ronald ; Brenda, Shay, Duska. Accounting Ethics. WileyBlackwell, 2003. p 28.

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malat Food Company and AIG. In addition to the most widely reported violation of accounting ethics involved, Enron, a multinational company and their auditor Arthur Andersen, an accounting firm considered one of the “Big five” who signed off the validity of the accounts despite the inaccuracies in the financial statements.

These scandals were the result of creative accounting, misleading financial analysis, as well as bribery.

We the Arab States cannot consider ourselves immune to this crisis, although its impact remains limited or no sight because of the weakness of the financial market.

Third, the cascading effects of abusing professional ethics in accounting are severe.¹

When confidence and trust are broken; the financial market of a country begins to collapse gradually. And in no time, the economy of the country is shattered.

The above lines just summed how ethics are important to the profession. One fraudulent affair caused in accounting can derail the bulwark of any organization. Accounting ethics is definitely an unavoidable aspect of any organization, which must be followed at any cost. Furthermore, accounting as a profession is acceptable and relied upon only when ability to exercise professional judgment based on a foundation of ethics. Only then general public can trust the integrity of this profession.

II. Codes Of Ethics

As a result of lessons learned from the Enron debacle. And in addition to the high expectations that decision makers attend from professional accountants, codes of ethics in every organization have become stringent. Therefore, by joining their professional organizations, professionals agreed to uphold the high ethical standards of their profession and thus have adopted codes of ethics, also known as codes of professional conduct, regardless of the role of account-

¹ Dey,Lain ;Rushe,Dominic. Auditors in the palm of the banks? The Times. Jan, 25, 2009. Retrieved Sept, 18, 2012

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ants, they are adhered to code of ethics which are applied to their professional conduct.

These ethical codes call for their members to maintain a high level of self-discipline that goes beyond the requirements of law and regulations. That means ethical behavior is not about abiding by the law. Individuals and organizations can act legally and still be acting unethically. Ethical behavior is driven by compliance with a set of values that acts as a touchstone for situational decisions. Where rules may not exist to cover every alternative, ethics is about the integrity of the decision making process that is used to resolve any number of issues.¹ Each of the major professional association has a code of ethics.

1- What is a code of ethics?

Ethics tend to be codified into a formal system or set of rules which are explicitly adopted by a group of people. In the context of a code adopted by a profession, an ethical code may be styled as a code of professional responsibility, which may dispense with difficult issues of what behavior is “ethical.

A code of ethics, in practice used interchangeably with code of conduct, is often a formal statement or document rather than merely “an environment” “an understanding” “a consensus” “unwritten rules” or just an aspect of “corporate culture”.²

It is a formal statement of the organization’s values or certain ethical and social issues relating to the profession and practice of the professional Knowledge. This also includes the principles and procedures for specific ethical situations.

We can define a code of ethics as “a set of principles of conduct within an organization that guide decision making and behavior”.

¹ Values and Ethics. From Inception To Practice. Published by the Institute of Management Accountants. U.S.A. 2008. P 2.

² Business Ethics, Key Terms. [http://www. Business.Com.2011](http://www.Business.Com.2011). Retrieved Sept, 18, 2012.

2 - Purpose of code of ethics

The purpose of the code is to provide members and other interested persons with guidelines for making ethical choices in the conduct of their work. Members of an organization adopt a code of ethics to share a dedication to ethical behavior and adopt the code to declare the organization's principles and standards of practice.

Due to the importance of maintaining high ethical standards in accounting, many international organizations and national accounting organizations (associations) have adopted or created their own code of ethics and enforce them. To name few, there is the AICPA¹, IMA², the SOCPA³ Saudi organization for public certified Accountants as a pioneer in the Arab World⁴, and The National Order of Certified Accountants, the National Chamber of Auditors and the national organization of Chartered Accountants⁵ as national organization for professional accountants in Algeria.

In addition to IESBA⁶ as an international association and IFAC⁷ as a federation of all accountancy bodies throughout the world, which has established the IFAC Ethics Committee to develop and issue, under its own authority, high quality ethical standards for professional accountants for use around the world. Its purpose is to harmonize these standards and practices on a global perspective.

¹ AICPA Code of Professional Conduct. American Institute Of Certified Public Accountants. 1985. Jersey city New York. 1985

² Institute Of Management Accountants. 1997. New York.

³ Saudi Organization For Public Certified Accountants. <http://www.SOCPA.org>. Retrieved Sept, 23.2012.

⁴ عبد الوهاب نصر علي، شحاتة السيد شحاتة، أخلاقيات وسلوكيات مهنة المحاسبة و المراجعة، مدخل عربي دولي مقارن، الدار الجامعية الإسكندرية، 2008، ص 175.

⁵ Code de déontologie de la profession d'expert comptable, de commissaire aux comptes et de comptable agréée. Journal officiel de la république Algérienne n⁰ 24 du 17. 04. 1996.

⁶ The International Ethics Standard Board for Accountants. [Http://www. IFAC org/ Ethics](http://www. IFAC org/ Ethics). Retrieve Sept, 23, 2012.

⁷ International Federation Of Accountants. <http://www.IFAC org/ Code of Ethics>. June 2005. Revised July 2006. Retrieved Sept, 23. 2012.

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All the above accounting organizations highlight the importance of integrity, objectivity, independence, confidentiality, credibility as fundamental principles in their ethical codes.

2- Objectives of the code of conduct

The main objectives of a code are:

- Setting the boundaries of acceptable behavior;
- Reducing the risk and associated costs of fraud, conflict of interest and other ethical lapses;
- Providing the basis for sanctions against those that deviate from the code.

III. General application of the code of conduct

The accountancy profession in much of the world presents its idea of ethical behavior as comprising five fundamental principles which together form a framework for behaving ethically in the professional and business sphere. The accountancy profession recognizes the importance of ethical behavior in its codes of ethics.

1- Fundamental principles

In order to maintain high ethical standards in professional accountancy, a professional accountant is required to comply with the following fundamental principles generally accepted.

1-1 Integrity

A professional accountant should be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness. Integrity is the cornerstone of professional behavior.

Integrity normally means the quality of being honest and morally upright (moral value). Integrity often refers to a quality of a person's character but is always about doing the right thing.

To emphasize on integrity as a core principle, we could refer to the Holy Quran 61.23 states that: "O you who believe why say ye that

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which ye do not? Grievously odious is it in the sight of Allah that ye say that which ye do not”¹.

A good accountant, to add value to society, has to have a number of characteristics; he or she has to have integrity. It is essential that the profession, as a whole retains its reputation for honesty, straightforwardness, fair dealing and truthfulness; without this, the profession will lose credibility.²

Professional accountants shall not only behave with integrity but be seen to do so. Therefore integrity is considered as the core principle, as without integrity, no professional activity can be relied upon.

1-2Objectivity

A professional accountant should not allow bias, conflict of interest or undue influence of others professional or business judgments. A professional accountant may be exposed to situations that may impair objectivity. Relationships that bias or unduly influence the professional judgment of the professional accountant should be avoided.

1-3Professional competence and due care

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.

¹ Maslinawati Mohamed; Nour Suhaila Shaharuddin. Islamic World View And Accounting Ethics. [Http://www.Islamic_accounting_ethics.htm](http://www.Islamic_accounting_ethics.htm). Retrieved Sept,25,2012.

² Integrity In Professional Ethics. A discussion paper. Published by the Federation of European Accountants on September, 2009. Page 8. [Http://www.Fee.be](http://www.Fee.be). Retrieved Sept, 25 ,2012.

1-4 Confidentiality

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the professional advantage of the professional or third parties.

1-5 Professional behavior

A professional accountant should comply with relevant laws and regulations and should avoid any action may bring discredit to the profession.

2- Conceptual framework Approach

In addition to the fundamental principles, a code provides a conceptual framework for applying those principles. The conceptual framework provides guidance on fundamental ethical principles.¹

The circumstances in which professional accountants operate may give rise to specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates such threats and specify the appropriate mitigating action. In addition, the nature of engagements and work assignments may differ and consequently different threats may exist, requiring the application of different safeguards.

A conceptual framework that requires a professional accountant to identify, evaluate and address threats to comply with the fundamental principles rather than merely comply with a set of specific rules which may be arbitrary, is therefore in the public interest.

A professional accountant should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable lev-

¹ [Http://ifac. org/](http://ifac.org/) Code of Ethics. Retrieved sept, 23, 2012.

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el, such that compliance with the fundamental principles is not compromised.

2-1 Threats

Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- a. Self-interest threats.
- b. Self-review threats.
- c. Advocacy threats.
- d. Familiarity threats.
- e. Intimidation threats.

2-2 Safeguards

Safeguards that may eliminate or reduce such threats to an acceptable level are safeguards created by the profession, legislation or regulation. These safeguards include but are not restricted to:

- ✓ Educational training and experience requirements for entry into the profession.
- ✓ Continuing professional development requirements.
- ✓ Corporate governance regulations
- ✓ Professional standards
- ✓ Professional or regulatory monitoring and disciplinary procedures
- ✓ External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

IV. General application of the ethic code in Algeria

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in

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the public interest a professional accountant should observe and comply with the ethical requirements of the code.

- 1- The National Order of Certified Accountants, the National Chamber of Auditors and the national organization of Chartered Accountants are professional bodies responsible, under law, to develop the code of ethics of the profession.¹

2- Fundamental principles

In the case of Algeria, it is important to notice that the code of ethics is divided into four chapters illustrating the professional obligations.²

In addition, the fundamental principles and the rules of conduct are not evident; therefore we tried to let them so in this paper.

Art1: The decree specifies the rules of professional ethics that the members or professionals are required to comply with.³

The five fundamental principles subtracted from articles in the code of ethics for professional accountants in Algeria are:

2-1 Integrity (Art2): A member or professional accountant should be straightforward and honest in performing professional services.

2-2 Objectivity (Art4): The principle of objectivity imposes an obligation on all professional accountants (members) not to allow bias, conflict of interest or undue influence of others to override professional or business judgments.

2-3 Professional Competence and Due Care (Art5): The principle imposes obligation on professional accountants (members) to maintain professional knowledge and skill at the level required to ensure that a client receives competent profes-

¹ Loi n^o 10.01 du 29.06.2010 relative aux professions d'expert comptable, de commissaire aux comptes et de comptable agréé. Jore n^o 42 du 11.Juillet 2010.

² Code de déontologie de la profession comptable en Algérie. Décret n^o96-136 du 15.04.1996. Jore n^o24 du 17.04.96.

³ Ibid.

sional service based on current developments in practice, legislation and techniques.

2-4 Confidentiality (Art6): The principle imposes obligation on professionals to respect the confidentiality of information acquired as a result of professional relationships not to be used for the personnel advantage or third parties and not to disclose information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose (tax administration).

2-5 Professional behavior (Art2, Art7): The principle imposes an obligation on professional to comply with relevant laws and regulations and avoid any action that discredits the profession.

3- Rules of professional conduct

In addition to the set of fundamental principles, the code of ethics includes rules of conduct representing behavioral characteristics that need to be on the member in the exercise of his functions, in dealing with peers, clients and others.

These following rules are subtracted from articles stipulated in the code of ethics for professionals in Algeria:

3-1 Engagement (Art9, 10, 11): The professional accountant defines with clients, by agreement or engagement letter, their reciprocal obligations without breaching the regulations, professional standards, and rules of ethics.

3-2 Appointment (Art12, 13): The auditors must mean accepting their appointments either by signing the minutes of the general meeting which appointed them, followed by the word "For acceptance function auditor" and the date, or by means of a letter of acceptance.

3-3 Relationship to the organization (Art14, 15, 16, 17): The professional shall within one month, notify, by registered letter with acknowledgment receipt, the board of the organization of any

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important event coming on his career including definitive cessation of its activities, change of place of business.

3-4 Relationship with peers

3-4-1 Replacement in appointment (Art18): The member requested by a client to replace a colleague must accept the mission it is proposed only if making sure that the request is not motivated by the desire to evade the proper application of the law on regulations.

3-4-2 Relationship with colleagues (Art19): The professional accountant who has given his clients to a colleague cannot compete with him by diverting clients ceded.

3-4-3 Behavior in relationship with peers (Art20, 21): The behavior of colleagues among them should bring a spirit of brotherhood and solidarity. The members must be of mutual assistance and courtesy when a professional disagreement arises between them, members should attempt to resolve them amicably.

3-5 Supervision of trainees (Art22, 23): The members are required to support accountants, auditors and accounting trainees who are appointed by their organization. The supervision shall give every facility for trainees.

3-5-1 Training (Art23, 25): The supervisor shall follow examination preparation courses giving access to the profession; participate in practical session and training for this preparation; examination and meetings for control of the courses; present test of examination. Regulation courses duly approved; by the council of the organization who sets out the modalities of the courses and the rules of ethics applicable to trainees.

3-6 Rights cooperation (Art26, 27): It is the member requiring his client the necessary cooperation for the purpose of his mission. The professional who finds a breach of the obligation or deficiencies affecting the performance of his duties shall inform the managers of the company in writing and ask them to correct, otherwise to find him in a situation of passive complicity.

3-7 Right to collect fees (Art28, 29, 30, 31): The members receive fees in connection with the execution of a mission. These

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fees cannot be settled in the form of in-kind benefits, discounts, commission or interests, either directly or indirectly.

The auditor's fees are set at the beginning of his mandate by the statutory body duly authorized in accordance with it.

The certified accountants, chartered accountants and their clients determine by mutual agreement the fees and payment terms.

3-8 Oath (Art35): The members are required to take oath planned in article 6 of the law n^o 10.01 dated June 29.2010, ¹ in front of the judicial council three months following the date of registration in the proper organization.

3-9 Conflicts Of Interest (Art36): Members must comply with the provisions laid down by professional incompatibility planned by applicable laws; including those concerning the merchant status, employee status involving subordination, convictions afflictive or infamous, accumulated of contractual missions in the same organization or business. Auditor's missions within companies where themselves, their spouses or parents and relatives to the fourth degree possess a portion of capital or stocks or interest of any kind, or perform administrative or management function.

3-10 Publicity and advertising (Art37): Members may not engage in advertising operations in any form whatsoever ending to unduly favor the attraction of clients unlawfully.

4- An Empirical Study

Today an increasing number of organizations, among them the professional accountants, have a code of conduct. Until recently, however, many have been only peripherally involved in reviewing codes and ensuring that they are effectively implemented and executed. Because codes of conduct are key factors in influencing an organization's reputation and success, the responsibilities associated with developing and implementing an effective code are shared, in the case of Algeria, between the managers of the C.N.C and the professionals. Management here is first designing materials and

¹ Loi n^o 10.01 du 29.06.2010 relative aux professions d'expert comptable, de commissaire aux comptes et de comptable agréé. Jore n^o 42 du 11.Juillet 2010.

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processes and approving them and second ensuring that they are effectively implemented and respected by professionals.

Accordingly, to verify this hypothesis, a questionnaire, addressed to the professional accountants in Algeria, has been prepared in three principal sections:

Section 1: Description of the population

Section2: Questions about code conduct context.

Section3: Questions about code conduct development, revision, and implementation

The questionnaires were sent out to 50 professional accountants exercising through regions Algiers, Boumerdes, Bouira and Setif. The questionnaires were sent through different methods either hand to hand, by the intermediate of colleagues, family members or e-mail. The questionnaires were sent to professional accountants because they are the ones who have the relevant information we need and that are fit to answer the questions. Unfortunately, we had to wait very long to get the response to the questionnaires and within that time we had to remind my contacts to help us remind the professionals concerning the questionnaires. 28 questionnaires were answered and returned and this constitutes 56% of the total questionnaires sent to the respondents. The questionnaires which were returned are used to highlight the extreme importance of code of ethics in the accounting profession and thereby evolving a code developed and revised according to common principles. A copy of the questionnaire sent can be found in appendix1. The response to the questionnaires distributed is analyzed below:

Section I: Description of the population

Table 1: Distribution by occupation

Occupation	Frequency	%
Certified Accountant	09	32
Auditor	17	61
Chartered Accountant	02	07
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

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The population is represented by 32% of certified accountants, 61% auditors and 7% of Chartered Accountants.

Table 2: Distribution by gender

Gender	Frequency	%
Male	27	96
Female	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

96% of respondents are male with only one woman representing 4%.

Table 3: Distribution by age

Age	Frequency	%
less than 35 years old	06	21
35 to 44 years old	08	29
45 to 54 years old	08	29
55 years old and over	06	21
Total	28	100

Source: Constructed from the answers given in the questionnaire distributed

The age of respondents is almost balanced between the various categories, we have 6% less than 35 years old, 29% between 35 and 44 years old, also 29% between 45 and 54 years old and 6% for 55 years and over. The majority of respondents with 79% range from 35 to 55 years and over.

Table 4: Distribution according to the number of years in practice

Years in practice	Frequency	%
less than 10 years	14	50
10 to 19 years	10	35
20 to 29 years	01	04
30 years and over	03	11
Total	28	100

Source: Constructed from the answers given in the questionnaire distributed

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50% of respondents have less than 10 years of experience, 35% have between 10 and 19 years of experience and 15% are between 20 years and up to more than 30 years of experience. The majority of respondents have less than 20 years of experience with 85%. This is explained by the fact that 50% of them (see table3) are in the age group under 35 years and between 35 years and 44 years old.

Section II: Questions about code conduct context.

Table 1: Distribution of responses to know whether professionals viewed the code of ethics

Responses	Frequency	%
Yes	27	96
NO	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

96% of respondents i.e. the majority have viewed of ethics code. Only 1 respondent who practices in the profession with an experience of 8 years failed to consult the code.

Table 2: Distribution of responses regarding the effectiveness of the current code of ethics

Responses	Frequency	%
Yes	09	32
NO	18	64
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

68% of respondents find that the code is not efficient compared to 32% who considers it effective and 4% who gives no answer.

Note: The Respondent who gave no answer is logically the professional who failed to consult the code and therefore did not respond the rest of the questionnaire.

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Table 3: Distribution of responses for those who answered no to the previous question and think it is published to meet legal requirements as proposed or for other reason.

Responses	Frequency	%
Yes	12	67
Other	06	33
Total	18	100

Source: Constructed from answers given in the questionnaire distributed

67% believe that the code of conduct merely meets existing legal requirements against 33% who think that the code is not effective because professionals were not associated during the conception of the code.

Table 4: Distribution of responses to know whether the fundamental principles are evident in the code

Responses	Frequency	%
Yes	20	71
NO	07	25
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

71% of respondents have discerned the fundamental principles of ethics, while 25% have not discerned them in the articles laying down the professional obligations.

Table 5: Distribution of responses on the predominance of one of the fundamental principles according to professionals

Responses	Frequency	%
Objectivity	07	25
Confidentiality	02	07
Professional competence	07	25
Integrity	03	11
Professional behavior	07	25

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None	01	07
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

25% of respondents believe that objectivity is the first fundamental principle of ethical behavior, 25% others put professional competence first, while 25% think that professional behavior is the fundamental principle to rank first, against only 11% that put the integrity first, which is the cornerstone of professional behavior, even in the code of conduct of Algerian professional accountancy.

Table 6: Distribution of responses on the number of goals reached by the code of conduct-selected proposals-

responses	Frequency	%
One goal	15	54
Two goals	03	10
Three goals	01	04
All	01	04
None	08	28
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

54% of respondents see in the code of ethics, promoted by the organization, that it met only one of the four objectives proposed, 10% think that it has reached at least two goals, 4% three goals, 4% others believe that the code has achieved all the goals, however 28% of respondents believe the code of Ethics has achieved any of the objectives. Except those, the 75% of respondents agreed that one of the objectives is to provide a framework establishing the principles guiding the behavior.

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Table 7: Distribution of responses to determine whether the code is appropriate

Responses	Frequency	%
Yes	14	50
NO	13	46
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

Table 8: Distribution of responses, to know the opinion, of those who answered no to the previous question -selected proposals-

Responses	Frequency	%
Establishes behavioral expectations too high	06	46
Summarizes simply existing legal requirements	06	46
None	01	04
Total	13	100

Source: Constructed from answers given in the questionnaire distributed

46% of respondents who found that the code is inappropriate give the reason that it establishes behavioral expectations too high; however the other 46% mention the reason that it simply summarizes existing legal requirements and then they confirm their previous answers (see Table 3).

Table 9: Distribution of responses on the content of the code

Responses	Frequency	%
Descriptive	11	39
Prohibitive	0	0
Both	16	57
None	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

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39% of respondents feel that the code is descriptive, i.e. it indicates the specific behaviors sought after by the organization. None of the respondents found it only prohibitive. However, 57% of respondents see besides being descriptive, it is also prohibitive i.e. it also lends itself to ban behavior.

Section III: Questions to professionals regarding the development, revision and execution of the code

Table 1: Distribution of responses to know whether this code is in progress

Responses	Frequency	%
Yes	10	35
NO	17	61
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

35% of respondents felt that the current code is in evolution because they are among those who think it is appropriate. However, 61% believe that it is not in progress.

Table 2: Distribution of responses on whether the current code of conduct of the accounting profession needs to be revised

Responses	Frequency	%
Yes	24	86
NO	03	10
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

86% of respondents for the review of the current code of ethics and confirm that there is no progress, only 10% do not see the necessity for its revision.

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Table 3: Distribution of the open question as to name the factors that influence the need to revise the code

Responses	Frequency	%
Factors	19	86
No factors	05	10
Total	24	100

Source: Constructed from answers given in the questionnaire distributed 79% of the 24 respondents who expressed the necessity to revise the code mention factors such as: the evolution of the profession and the economic environment, offenses such as non-compliance with the code by the professionals themselves, fraud and conflicts of interest, difficult to apply code, the code weaknesses such as lack of clarity, rigor regarding code compliance, and compliance with legislation, meet dispositions at the international level (IFAC). While, 21% of respondents did not give reasons.

Table 4: Distribution of responses to the open question as to who must participate in the process of drafting the revised code

Responses	Frequency	%
Propositions	23	82
No propositions	05	18
Total	28	100

Source: Constructed from answers given in the questionnaire distributed 82% of respondents suggested that the parties should participate in the development of the revised code: unanimously practicing professionals, lawyers, the legislator, and of course the public authorities (the National Council of accounting).

Table 5: Distribution of answers on how to disseminate the revised code

Responses	Frequency	%
In paper	1	04
On the web site	7	25
Both	19	67
None	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

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67% of respondents prefer that the code be diffused on paper and through the website against 25% who prefer the website and 4% in paper format only.

Table 6: Distribution of answers on how to educate professionals to the principles and requirements of the code-selected proposals-

Responses	Frequency	%
Presentations	08	28
Discussions	02	07
Information sessions	08	28
All three	09	33
None	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

28% of respondents find in presentations the way to educate professionals to the principles and code requirements, 28% see that it is in the information sessions, only 2% think it's the discussions, however 32% believe that all three means are needed to educate them at best.

Table 7: Distribution of answers to the question with proposals on tool to evaluate and to monitor compliance with the code

Responses	Frequency	%
annual surveys	05	18
Focus groups	08	28
Both	12	43
Others	02	07
None	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

18% of respondents find that annual surveys are the means to assess and monitor compliance with the Code, 28% see the focus

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groups as the mean, 43% favor the two as the means, and 7% offer other means: quality control.

Table 8: Distribution of responses the obligation of members to sign as an adherence to the code.

Responses	Frequency	%
Yes	23	82
NO	04	14
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

82% of respondents to sign as code compliance and only 14% see no obligation.

Table 9: Distribution of answers as the possibility to raise potential ambiguities that may present the code

Responses	Frequency	%
Yes	26	92
NO	01	04
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

92% or the majority of respondents think that it is preferable to raise the difficulties related to code, only 4% do not agree.

Table 10: Distribution of responses on the proposal of the adequate tool so that the code works well

Responses	Frequency	%
Yes	27	96
NO	0	00
none	01	04
Total	28	100

Source: Constructed from answers given in the questionnaire distributed

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96% or the absolute majority sees in the “field” visits as an effective tool to ensure proper functioning of the code. And no one is against.

Table 11: Distribution of respondents justifying their negative responses

Responses	Frequency	%
NO	0	0
Total	0	0

Source: Constructed from answers given in the questionnaire distributed

0% of the respondents, logical result because none of them is against the proposal (see Table 10)

Conclusion

We chose to conduct this empirical study in a set of questions addressed to accountancy professionals in Algeria as a means in order to provide insight on the existing Code of Ethics and to stimulate discussion on the eventual proposed revision of this code. Starting from the principle that a code is always in progress; it's better to start with an unsophisticated code, developed and revised according to sound principles, than to lose the benefits of having one or worse, to promote a code that's irrelevant or unrealistic.

Through the responses, we can analyze the professional opinion as to the context of the current Ethics code and to its probable revision and come out with suggestions for those responsible in the organization as to the development and revision of the current code.

According to the professional respondents who viewed the code (96%) the fundamental principles are clearly discerned in the code (71%) and according to them with a shared objectivity, confidentiality, professional competence and professional conduct predominance (25 % each). but respondents find the present code appropriate (50%) but Not effective (64%) for one major reason that it is a code that simply summarizes existing legal requirements (67% of 64%). and whose principal objective is to provide a framework for

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establishing the guiding principles of behavior (71%). Also the content of the code is descriptive and prohibitive at the same time (57%).

We believe that merely issuing a code does not assure an organization that it will be observed. A code that merely repeats or summarizes existing legal requirements is likely to be seen as a useless effort.

So the overriding objective of the organization should be setting a code with boundaries of acceptable behavior through:

- Providing a framework of shared boundaries between the organization and professionals which allow to vigorously pursuing goals while confident they and those they rely on won't cross the limits.
- Creating a code that appropriately balances aspirational, descriptive and prohibitive content.
- An appropriate code positioned correctly that allows completing the picture of an organization's aspirations and expectations.
- An effective code that reinforces an organization's culture by emphasizing each professional's responsibility to observe its principles and requirements.

Ultimately, it is this culture of shared responsibility that affords the greatest protection against the risk of unethical behavior. Furthermore, organization that put in practice the content of its code develops a reputation for honesty, integrity and professional conduct based on principles.

However, according to the professional respondents, this actual code needs to be revised (86%) because it is not in progress (61%). Indeed a code is always a work in progress and we suggest (some of the suggestions are proposed by respondents) that the key factors influencing the need to revise the code of ethics for professional accountants in Algeria are:

- Changes in the profession (development of the profession) and the economic environment in Algeria;

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- Changes in relevant laws and regulations (law relating to professions certified accountant, auditor and chartered accountant, implementation of financial accounting system);
- Need for Algerian organization for the accountancy profession to obtain their IFAC membership. According to the Developing Nations Committee Report (DNC) addressed to IFAC Board on February 2010, four of the six African nations represented (Egypt, Morocco, Tunisia, and Libya) are members of IFAC. Of the remaining Two (Algeria and Djibouti) Algeria had shown an expression of interest in October 2006, but never followed through on obtaining their IFAC membership, even though, the staff (DNC) met with the Algerian Organization ONECC (Ordre National des Experts-Comptables, des Commissaires aux Comptes et des Comptables Agréés) in Algiers to advise them on membership application process, obtain additional guidance on their development and their specific issues as needed. The benefits that Algeria may obtain from its membership is in the mission of the International Federation Of Accountants which is” To serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant”;
- Public opinion regarding acceptable professional conduct;
- Experience gained from monitoring infractions, or difficulties in applying the code;
- Input received from the professionals subject to the code (including the organization’s board) regarding missing elements, weaknesses of the code;

The method to use for the revision of the code corresponds to the suggested following process:

- Regular review of the code: a commitment to review the contents and applicability of the code at least annually; and an annual report from those in charge of developing

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the code that the code remains generally appropriate and describing areas where revisions are contemplated;

- A full revision of the code may be necessary every five years((the present code has not been revised since 1996).This is a suitable time frame for the organization to lead a new awareness about the code, even if the content of the latter is not significantly altered;
- several parties need to take part in the revision of the code; well as the development or revision of existing code usually comes from the organization (professional bodies), however, we can include other parties as suggested by respondents: professionals, internal lawyer or outside counsel, regulator; we believe that involving the representative views of other parties is a key factor in the code being widely adopted and followed;
- Choose communication channels to disseminate the revised code; In today's media world, organizations have the opportunity to disseminate information in many different ways; but accessibility, user receptiveness, interactivity and relevance to the subject are key factors in choosing these communication channels; considering its importance and relative permanence, the code of ethics will normally be distributed:
 - ✓ In printed form, at least to the principal stakeholders;
 - ✓ Through the website as another way to supplement the written document; making the code available on an organization's website allows ready access by existing and new professionals. Website can also provide faster and easier access where supplemental materials are referenced in the code but would be too long to conveniently include in a printed version;
- Educate professionals to the principles and code requirements; the Code deals with behavioral matters that are subject to different interpretations. So the organization may use many approaches, and often a combination of them, to educate professionals in its principles and requirements; among them, we propose:

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- ✓ Presentation by responsible and their availability for questions and dialogue;
- ✓ Discussions between professional bodies and professionals;
- ✓ Briefings for professionals;

These interactive sessions are what really bring a specific meaning to the code. Participating in discussions gives those subject to the code the opportunity to raise and discuss its practical application. It also provides invaluable input to those responsible for code revision. Education also has an important role with regard to new professionals and this is an appropriate vehicle for initial education in the organization's code.

- Measure and monitor compliance with the Code; the fact that professionals are aware that compliance with the code is being monitored act as encouragement to follow its intent. It also strengthens the code by reassuring everyone that the protection it affords is actively maintained. A further reason for monitoring compliance is to develop an ongoing understanding of where breaches in expected behavior may best efforts to develop is occurring, in order to discern patterns of weakness of the code. This information serves as input to the process of revision, where breaches are consequential to add supplements to the code or introduce measures to mitigate risks associated with non-adherence to the code. The methods proposed to be used for measuring and monitoring compliance include:

- ✓ Annual survey;
- ✓ Focus groups or interviews;

These indirect measures of ethical performance can be more important than "hard" measures that can have unintended results (43%).

- Ask members of the organization (present and new professionals) to sign as an adherence to the code; that is to confirm in writing that they:

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- Received a copy of the code, understand its content, and commit to applying it (especially since 82% of respondents are in favor);

To proceed to such written approval, usually once a year, can re-confirm their commitment and explicitly that they have followed the requirements of the code throughout the previous year. So it is up to the Algerian legislation to implement similar requirements;

- Allow professional to raise Ambiguities that may be in the present Code; despite using best efforts to develop a clear code, circumstances will invariably arise where either these circumstances were not contemplated by the code, or where the application of the code is unclear. A code of ethics is not “law”, it represents a common agreement on behavior, so if a professional has a problem with the code, it’s better to hear about it and try to resolve it, than to ignore or suppress.(indeed 92% are in favor);
- Use “field” visits as tools to assessing the code; field visits are invaluable to assessing the organization’s ethical climate. Responsible are typically very experienced at assessing the correctness of their own instincts and observations. This assessment coupled with earlier suggestions is a key aspect of their contribution to the proper functioning of code.

We hope that this modest study, through the questions and previous suggestions, helps to illuminate the organization and help it to ensure that its code is: relevant, properly developed, administered and revised, supported by appropriate processes to assure compliance and accompanied by adequate channels for professionals and others to express grievances or concerns.

We also hope that the reading of this study raise the dialogue between those involved directly or indirectly. This is the ultimate goal we aim in publishing this paper.

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Appendix1

Questionnaire for professional accountants

The point of view of professional accountants on the current code of ethics of the profession and its possible revision.

This questionnaire is designed specifically for accounting professionals who adhere to the code of ethics of the profession and are better placed than anyone to send their views on the current code and its possible revision.

The responses collected will allow us to support our suggestions by judgments of value from accounting practitioners.

We rely on the collaboration of all recipients of this questionnaire and we guarantee the confidentiality of responses that will be used for academic purposes.

Please put an X in the cell corresponding to the selected answer. More than one answer is possible. A comment line is dedicated to your additional responses not included amongst the responses indicative.

We bring to the attention of the respondents that the survey is part of a university research to highlight the extreme importance of code of ethics in the accounting profession and thereby evolving a code developed and revised according to common principles.

Thank you in advance for your sincere answers that will be of great value with our best regards and high esteem.

Occupation:

- ☐ Certified Accountant
- ☐ Auditor
- ☐ Chartered Accountant

Age: -----

Gender: -----

Number of years in practice: -----

Email: -----

1 - Have you viewed the code of ethics of the profession?

☐ Yes ☐ No

2 - Is the current code of ethics effective?

☐ Yes ☐ No

3 - If not, do you think this code is published to meet legal requirements?

☐ Yes

☐ Other

Specify-----

4 - Do the fundamental principles of ethics are evident in the code?

☐ Yes ☐ No

5 - In your opinion, which of these fundamental principles of ethics you rank first?

- ☐ Objectivity
- ☐ Confidentiality
- ☐ Professional Competence and Due Care
- ☐ Integrity
- ☐ Professional behavior

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6 - Did the current code of ethics promoted by the organization (commission) achieve these goals?

- ☐ Provide a framework establishing the principles guiding the behavior.
- ☐ Establish limits of acceptable behavior.
- ☐ Reduce the risk of fraud, conflicts of interest and other ethical lapses.
- ☐ Provide the basis for sanctions for members who do not comply with the code.

7 – Is the code appropriate?

☐ Yes ☐ No

- If not, do you think?

- ☐ It establishes behavioral expectations too high.
- ☐ It summarizes simply existing legal requirements.

9 - The contents of the code are:

- ☐ Descriptive
- ☐ Prohibitive
- ☐ Both

10 - Do you think that this code is in progress?

☐ Yes ☐ No

11 - Do you think the current code of ethics of the accounting profession needs to be revised?

☐ Yes ☐ No

12 - What are the factors that influence the need to revise the code?

- ☐ -----
- ☐ -----
- ☐ -----
- ☐ -----

13 - Who do you think should participate in the development process of the revised code?

- ☐ -----
- ☐ -----

14 - How to disseminate the revised code?

- ☐ In paper
- ☐ On the web site

15 - How to educate professionals to the principles and code requirements? By:

- ☐ Presentations
- ☐ Discussions
- ☐ Briefings

16 - By what means compliance with the code should be evaluated and monitored?

- ☐ The annual surveys
- ☐ The Focus groups
- ☐ Other

Specify -----

17 - Should we ask members to sign off as an adherence to the code?

☐ Yes ☐ No

18 - If the code is ambiguous, is it desirable to raise it?

☐ Yes ☐ No

19 - Do you think the “field” visits are tools so that the code works?

☐ Yes ☐ No

20 - If it is not, why?

-
-
-