

## **1. General questions**

### **Q1. What does integrity mean for you?**

Integrity requires honesty and objectivity in all professional matters. Integrity implies not merely honesty but fair dealing and truthfulness. Our work must be uncorrupted by self-interest and not be influenced by the interest of other party. Integrity comes before profit. We're not afraid to say 'no', for all the right reasons.

### **Q2. Is integrity the core principle in professional behaviour? If yes, why?**

Yes, because integrity is what public trust is built upon. Without adherence to the strict moral and ethical guidelines of the profession, there is no value to the accountant's work. We can have all the skill, knowledge and experience in the world, but without integrity, and therefore trust, our work becomes questionable. For this reason, it is important for clients and the public in general that rely on the financial data for decision making, to assess accountants 'integrity'. To have integrity, an accountant most not only being willing to ethically do the right thing, but also maintain all the skills to ensure to do the best job possible.

### **Q3. What are the threats to ethical behaviour?**

The key ethics threats what we can identify are the following: conflicts of interest, including self-interest threats, failure to maintain objectivity, improper leadership and poor organizational cultures, lack of ethical courage to do what is the right, lack of ethical sensitivity, and failure to exercise proper professional judgment. Shortage of professionals in specific fields may also pose ethical threats.

In our opinion, in the current climate earnings management is the most common ethical threat for accountants in business.

### **Q4. How do these threats change as the economic climate changes?**

A strong audit function promotes trust and contributes to the working of efficient markets. The economic crisis and resulting current economic conditions raise numerous challenges for the audit profession and its stakeholders. An unfortunate consequence of an economic downturn is an increase in fraudulent behaviour. Not only does a downturn expose more fraud as the masking effect of economic growth is withdrawn, but as the pressure intensifies on management to maintain income and earnings, and in consequence „cooking the books” could became a problem. In the current climate the pressure is going to be enormous both at personal and organizational level therefore the temptation is growing as well. The ethical issues include a lack of independence, creative accounting, aiding tax fraud an evasion, and failure of the duty of care towards shareholders and the public. In such condition our profession has got to face these facts during the audit.

### **Q5. How is integrity instilled in your audit firm or your organisation? Does it always work? How could it be improved?**

For the Chamber of Hungarian Auditors (CHA) the education of ethics is one of the most important question, because we consider that Ethics education is a crucial part of continuing the restoration work on the image of the profession following the accounting scandal at the turn of the century. Our goal is to ensure that:

- Professional members understand the nature and expectations of a profession, including the public interest and other professional qualities;
- Appropriate knowledge and skills are learned to equip professional members in managing ethical threats;
- Continuing training be put in place to foster ethical judgment and behaviour.

Next to this, CHA members receive ongoing information about issues regarding ethics and we publish information about IESBA's activity and expectable changes in international ethical rules in our professional journal.

## **2. Background**

**Q6. Do readers agree that integrity is actually the core principle and should be highlighted as such, compared with the other fundamental principles referred to in paragraph 2.3? If not, why not?**

Yes, we agree.

**Q7. Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale?**

Yes, we agree that the other fundamental principles derive from integrity, as without integrity no professional activity can be relied upon. Integrity is an element fundamental to professional recognition, indicating that from the recognition of integrity, public trust would be derived.

## **3. Importance of integrity**

**Q8. From the perspective of professional ethical behaviour, does the quality of the persons' character matter if their actions are consistent with expected standards? Does this have consequences for the disciplinary process?**

The question is whether someone could exhibit integrity in their professional life, but not in their personal life, or vice versa? No. In our opinion professional ethics could not be different than personal ethics. One cannot put on and take off ethical behavior like clothing to suit the seasons. Because integrity is to be thought of in terms of wholeness of character, we either have it or we don't. Someone who lacked integrity in their personal life would not have integrity at all, regardless of how they acted in a professional context. In fact someone who acted one way in one context and completely differently in another would be a classic case of a person who lacked integrity.

**Q9. Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? Again, does this have consequences for the disciplinary process?**

The culture of a profession has an impact on the way individuals behave within it. A code of conduct is a key component of any framework that encourages people to behave with integrity. A reputation for integrity is affected by the behaviour of all the individuals within an organisation. When we commit ourselves to "integrity first" it means that we understand the importance of both personal integrity and professional integrity, and through our efforts to keep them compatible, we contribute to increasing the accountancy profession's reputation.

#### **4. Meaning of integrity**

**Q10. Would it be helpful for codes of ethics of accountancy bodies to include further discussion on integrity? If so, what are the key points that should be included?**

Yes. When it is about the integrity of the profession, bad news always reach the media, and newspapers write about the negative news/impacts. The key points should be special emphasis given to trust, honesty and integrity. Integrity is a long term benefit, a certain and valuable benefit, as our profession is built on trust. If this trust is lost, it takes a long time and hard work to regain it.

**Q11. Should there be greater clarity of the extent to which personal integrity would affect professional integrity, to enhance harmonisation?**

Yes, we think that it may be worthwhile creating greater clarity regarding the practical application on this subject.

**What sort of personal behaviour should merit professional disciplinary action?**

This Discussion Paper mentions five related aspects to integrity (moral values, motives, commitments, qualities and achievements). In our opinion, it is impossible to give a list relating to unethical personal behaviour which should merit professional disciplinary action. We think it is helpful to list the characteristics which are usually linked to behaving with integrity, but it will be difficult to judge whether or not an individual has integrity. In case of disciplinary procedure the evaluation of someone may be based on the assessment of members of committee who may be influenced by their own beliefs and expectations.

However some typical unethical behaviour could be listed:

- if the accountant has not acted in an honest and straightforward manner;
- if the accountant's attitude either in word or writing is threatening;
- if the accountant's findings or statement are not based on facts, but on assumptions.

#### **5. Behaving with integrity**

**Q12. Do you agree with the behavioural characteristics discussed in paragraph 5.2? If not, please explain what should be changed.**

Yes, we agree.

**Q13. Are there further behavioural characteristics that should be expected of someone behaving with integrity in a professional context, other than those listed in paragraph 5.2? If so, what?**

There are no further behavioural characteristics that should be expected.

## **6. Integrity in organisation**

**Q14. Do readers agree with the indicators discussed in 6.7? Are there others, and if so what?**

Yes, we agree.

**Q15. Do readers agree that organisations should have clear ethical values and that in all but the smallest organisations this will require the organisation to have a code of conduct? If not, please explain your rationale.**

Yes, we agree.

**Q16. Who should be responsible for ensuring that ethical behaviour is embedded in organisations?**

Within an audit firm the Ethical and Professional Committee would play an educating and monitoring role, would be in charge studying any problematic situation that may be brought to its attention.

## **7. Role of individual accountant**

**Q17. Is it reasonable to expect professional accountants to promote an ethics-based culture in their organisations?**

Yes, it is reasonable.

**If so, should there be greater guidance and what are the key points that it should include?**

No, the description does not necessitate greater guidance.