

Justitiële verkenningen

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Public accountants

Summaries

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One century of public accountants work in The Netherlands

P.E. de Hen

Chartered Public Accountants started to appear in The Netherlands from ca. 1890, in 1895 the predecessor of the present Nivra was founded, with acquiring a legal status for chartered accountants as one of its aims. It took 77 years before (in 1967) this legal status was granted. Soon afterwards certification of the annual statements of bigger public companies became a legal obligation. In the meantime, the profession had already acquired a high status in The Netherlands and virtually all important companies had their annual statements audited. The independence of the CPA was at first assumed, later on based upon a theory developed by the highly influential Amsterdam professor of accountancy and pioneering CPA, Theodore Limperg jr. After the Second World War the Institute tried to define in a more precise way what this independence meant. One of its conclusions was that CPA's could not be allowed to cooperate with a single firm with other professionals. This ban was abolished hesitatingly in the sixties and seventies.

The future of the public accountant's profession

J.C.A. Gortemaker

This article describes the future of the profession of the public accountant. An environmental analysis, product development and changes occurring in the organization in which accountants operate, are successively treated. The environmental analysis focuses on the future expectations of both stakeholders and clients. These expectations not only concern the auditing of the financial statements, but also other forms of assurance services and the advisory function. In the section on product development, new assurance services are explained in detail. The involvement of accountants in Corporate Governance and subsequently in in-control systems is set out. Finally, the reasons leading to the increase in scale of activities within the organization in which accountants operate, are explained. In this respect, attention is also paid to the combination of audit/assurance and advisory services.

Public accountants and the expectations gap in relation to the detection of financial crimes

R.J. van Twist and V. Sabee

Due to the increased public and political attention for (organized) crime, questions were asked about the role of certified public accountants (RA's) and Account and Management consultants (AA's). As specialists in the field of accounting and the reporting of financial data, these groups were asked to cooperate with the government in the 'fight against crime'. The article describes a few current developments with which the accounting profession is confronted these days. Because of these developments in combination with the circumstance that there is little knowledge about accounting practices at other groups in society, give rise to expectation gap. This gap does exist between the government on the one hand and the accountants on the other. Several factors play a role in its foundation and maintenance. First, due to a lack of knowledge about the profession and the fundamental changes it is undergoing right now, the government has no clear picture of what

reasonably is to be expected from accountants. Secondly, the accounting profession itself is not really committed to closing the gap. Communication in terms of public relations does not start a real discussion about the future of the profession. Third, a complicating factor is the lack of consensus about the meaning and contents of fraud. While it is used as a point of reference to formulate expectations towards public accountants, it only makes the situation less clear. All in all it is to be expected that the expectations gap will manifest itself more clearly in the years to come.

The public accountant and disciplinary litigation

P.A.M. Diekman

The basis of the Dutch disciplinary litigation is in the 1962 Law on Registered Accountants. There are virtually no constraints to file a complaint against an auditor. Complaints have to be filed at the Secretary of the two Disciplinary Committees. Upon receipt of a complaint, the Disciplinary Committee will start a disciplinary investigation, the result of which is always a public judgment. Based on the investigation, the Disciplinary Committee may judge that a complaint is not justified or that it is justified, but that no further judgment against the auditor will be passed. The following judgments against auditors may be passed: a written warning; a reprimand; suspension for a maximum period of six months; deletion of the registration as a registered accountant from the register. In addition, the Disciplinary Committee may rule that the judgment be made public, sometimes including the name of the auditor, by way of publication in a national newspaper and in the professional magazine *De Accountant*. Complaints against auditors may be filed at the Disciplinary Committee for the following reasons: improper execution of the profession; non-compliance with by-laws of the Institute and misbehaviour of the auditor. In the past decades, the number of disciplinary cases against auditors has increased. The increase of this number, however is in line with the increase of the number of registered accountants in The Netherlands. The jurisprudence of the Disciplinary Committee shows that the auditor's responsibilities have increased over time. Particularly in cases where auditors perform a compilation of annual accounts without auditing these accounts and in cases where auditors perform investigations under special circumstances such as the client's bankruptcy or its protection under the bankruptcy law, divorce accounting, merger and acquisition accounting. Judgments passed in these respects show that the tolerable error used by auditors should be lowered. Finally, there is a certain relationship between disciplinary litigation and civil law. However, the standards applied in disciplinary litigation are usually higher than those applied in a civil court of law. Therefore, there is no automatic link between a judgment passed by the Disciplinary Committee and the one passed by a judge in a civil court of law.

Moral judgements by public accountants

D. Brugman and M.E.W. Weisfelt

In an empirical study with 105 Dutch auditors working in public practice, the relationships were investigated between auditors' individual and job-related characteristics and their way of moral reasoning to justify their decisions in professional dilemmas. The dilemmas were administered in a paper-and-pencil instrument and in a diadic discussion between auditors who disagreed with each other on the decision taken in the dilemma. Four strategies of moral reasoning in justifying professional decisions were distinguished, of which two are viewed as hazardous for an independent professional judgement. One risky strategy focuses on self-interest, the other on conforming to the expectations of the informal group in which one is involved. Two other strategies are viewed as a resource for an independent professional judgement: a strategy that focuses on institutional rules and norms, and a strategy that focuses on social contract and moral principles. On average, the strategy that focuses on institutional rules and norms dominates in the sample. In a quarter of the auditors, however, the strategies dominate that are considered to be risky. Characteristics positively related to the resourceful perspectives were: a mature moral competence, a high sense of responsibility toward society and a relatively low sense of responsibility toward the own firm. The use of the resourceful strategy with its focus on social contract increased with a higher percentage of non-profit clients, shorter than twenty years of registration as an auditor, small size of audit firm, and working in the northern region of The Netherlands.