Abstract

Code of ethics is an essential tool in the battle against fraud and corruption. Accountants and auditors are the first SMEs' advisers on a wide range of subjects from accounting to auditing. Indeed, codes of ethics are classified as strategic management tool and the process of change lead to the need to do it in a sustainable development which generates gains for the society, in general, and SME, in particular. This research presents a theoretical framework that allows to discuss the importance of the code of ethics in order to achieve appropriate level of knowledge and attitudes in business ethics. The empirical framework based on SME database, but for the accounting and auditing services, in order to promote, at exploratory level, two different perspectives: Portuguese and Italian. The results of this research allow us to conclude that the SME must design new strategies and challenges to answer, on the one hand, to new market targets and ethical demands of clients. And, on the other hand, to increase value that became essential to the SME sustainability. Indeed, this research identifies two different perspectives: Portuguese and Italian that highlight the strategic approaches followed in the recognition of the importance of the code of ethics, as well as, social responsibility strategies which will increase, at internal level, the engagement of stakeholders to the SME and, at external level, to the society.

Jel Classification M41-Accounting
Key words: Ethics, Code of Ethics, SME, Portugal, Italy
CODE OF ETHICS TO ACCOUNTANTS AND AUDITORS

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Code of ethics is an essential tool in the battle against fraud and corruption. Accountants and auditors are the first SMEs’ advisers on a wide range of subjects from accounting to auditing. Indeed, codes of ethics are classified as strategic management tool and the process of change lead to the need to do it in a sustainable development which generates gains for the society, in general, and SME, in particular. This research presents a theoretical framework that allows to discuss the importance of the code of ethics in order to achieve appropriate level of knowledge and attitudes in business ethics. The empirical framework based on SME database, but for the accounting and auditing services, in order to promote, at exploratory level, two different perspectives: Portuguese and Italian. The results of this research allow us to conclude that the SME must design new strategies and challenges to answer, on the one hand, to new market targets and ethical demands of clients. And, on the other hand, to increase value that became essential to the SME sustainability. Indeed, this research identifies two different perspectives: Portuguese and Italian that highlight the strategic approaches followed in the recognition of the importance of the code of ethics, as well as, social responsibility strategies which will increase, at internal level, the engagement of stakeholders to the SME and, at external level, to the society.

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Key words: Ethics, Code of Ethics, SME, Portugal, Italy
This research focuses on the guidelines for the elaboration and implementation of a code of ethics for accountants and auditors in order to emphasize a more sustainable management for small and medium enterprises (SME). Long-term, it will ensure that future generations will not be deprived of the use of resources, and short-term, it will provide the well-being of stakeholders.

Code of ethics is an essential tool in the battle against fraud and corruption, because unethical behavior is less likely to be repeated. As consequence, for example, Laczniak & Inderrieden (1987) demonstrate that wrong behavior receives a negative feedback and penalty. Although, this may prove the importance given to accountants and auditors as first SMEs' advisers. Indeed, the code of ethics could be classified as a strategic management tool and many SME lead the process of change to do it in the appropriate sense which generates gains for the society, in general, and SME, in particular.

This process of change on accounting and auditing services lead to foster more trust and higher confidence for stakeholders (McDonald, 2009) and to promote the need for more sustainable development which generates gains on investing on the clients’ ethics. All professional accountants and auditors must meet certain ethical principles. According with the literature review there are several authors that define code of ethics:

- O’Dwyer & Madden (2006: 218): “appear to be a clearly visible sign that an organization is aware of the need for ethical behavior and requires a commitment to such behavior from its workforce.”
- Gould (2013: 1): “to reassure investors and other stakeholders, in particular those looking for socially responsible investment, integrity, and a commitment to ethics.”
- Malley (2014: 1): “to identify, evaluate and address any action or situation that threatens compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.”
- Jefferies (2015: 1): “could be simply stated to convey general compliance with fundamental principles or can encompass rules based to address specific situations.”

Related to this situation, another example is the European Federation of Accountants and Auditors for SMEs that has been published a practical guide to highlight the professional ethics of accounting practices for small and medium-sized enterprises (EFAA, 2014). This guide allows accountants and auditors to increase the sense that accounting practices could be thinking in a practical way and then it outlines the key principles: competence, quality, independence, responsibility, professional relationships, conflict management, extraordinary situations, confidentiality and marketing. Not surprisingly, Tsahuridu (2014: 1) argues that the professional accountant is characterized by a common set of values usually reflected in a code of ethics that include the pursuit of the public interest, independence and self-regulation, knowledge and education, and professional judgment. Professions rely on public trust and play an important role in key areas of other people’s lives and society in general.

The purpose of this paper is to analyze the content of the code of ethics to accountants and auditor, in order to achieve appropriate level of knowledge and attitudes related with business ethics of the accountant and auditor for for small and medium enterprises in Portugal and Italy. The research question enables the development of the central argument of the paper:

“Could Italy and Portugal have the same Code of Ethics to Accountants and Auditors?”

To answer to this research question, this paper presents a comparison of code of ethics, principles and concepts related with the accounting and auditing practices. While there is a large range of SMEs that are covered by the paper which increase the complexity of this research, then the focus to simplify, it was focus only across Portugal and Italy. Each professional service has long tradition of ethical behaviour, but due to public concern as an area of conflict of accountants and auditors, because they
face the reliability of the financial information that must be dominant in the develop of sustainable economy. So, the future tendency is very well share by the stakeholders and then the authors agree with Gould (2013: 2), when he promotes that accountants have the responsibility and the opportunity to:

"ensure the entire organization is attuned to high ethical standards and aligned with the values, goals, and objectives of the organization".

The structure of this paper describes the central theme of discussion that accounting and auditing has a central commitment with ethical behaviour. In section 2 starts with the discussion of the concept of ethics. In section 3 develops a comparative analysis of the general principles of the codes of ethics. In section 4 associate the diversity of application of code of ethics in Portugal and Italy to increase the level of transparency of the financial report for SMEs. At the end of the four sections, the authors present the main conclusions.

2. From Ethics to the Code of Ethics

There are many reasons for the giving attention to the ethics phenomenon. One of the most important is the corporate excesses witnessed in recent years, in particular, in accounting and auditing with financial and economic consequences. For professional ethics, these problems are based on principles, rules, standards or codes of conduct set by accountants and auditors as an specific profession. This has been justified by Tsahuridu (2014: 2) that argues:

"the professional accountants should see good professional practice and ethics as a whole. After all, accounting as a profession is about truth. It is important that we do not lose sight of the ethical content of our actions and responsibilities."

The task of ethics is to identify moral standards, assessments, judgments and concepts, characterizing people as representatives of a particular profession (Schur, 1982). The involvement requires from Ethics to the Code of Ethics and it is possible to explain that:

- Higgins & Olson (1972: 33) note: “The code (of ethics) is a main foundation document of the profession it is the ethical concepts that tie the body with spirit. Indeed, as suggested earlier, it is agreement on ethical concepts and adherence to them by an overwhelming majority of practitioners that transforms a vocation into a profession.”
- Metzger (1975: 3): “The code of ethics go hand in hand with the concept of professionalism has been oft repeated. Over half a century ago, Abraham Flexner commented that professionals tend to organize in peer groups and establish criteria for proper conduct. He concluded that without this guild proclivity, a group couldn't claim the exalted title of "Profession".)"
- Noreen (1988) addressed ethical behavior from an agency theory perspective, arguing that ethical behavior norms are rational and even necessary in order for a market to function efficiently.
- Flint (1988: 91) argued that the Code of Ethics is: “a set of rules which are basic principles of correct action for members of a profession ...designed to protect the institutional reputation of professionalism, i.e. to promote adherence to the kind of conduct that the public requires”.
- Meigs & Whittington (1989: 46) argued that the Code is a main element of professionalism which provides the members with the “guidelines for maintaining a professional attitude and conducting themselves in a manner that will enhance the professional stature of their discipline”.
- Velasquez (1997: 12) notes that: “One of the difficulties in engaging in such an analysis is the definition of the term “ethical.” By “ethical,” we mean acting in accordance with a set of substantive moral standards. Moral standards “deal with matters that are of serious consequence to our human well-being [i.e.], concerned with behavior that can seriously injur [e] human beings”
- Arens & Loebbeecke (2000: 81) argued that: “our society has attached a special meaning to the term professional. A professional is expected to conduct himself for herself as at a higher level than most other members of society (...) the underlying reason for a higher level of professional conduct by any profession is the need for public confidence in the quality of service by the profession regardless of the individual providing it.”
Similarly, a recent study promoted by Opinion Research Corporation (1981: 155) regarding the reasons for the promulgation of professional codes of ethics elicited the following comment:

"The basic founding purpose of this organization was to establish a code of ethics"

Business ethics is made-up of rules, standards and principles, which all together join in a code that gives the guidelines for morally right behavior and truthfulness in specific situations in an SME (Lewis, 1985). Ideally, the code issues must be very well detail and value-based (Robin et al., 1989) and the language use must be clear, comprehensive and enforceable (Raiborn & Payne, 1990).

Researchers in business ethics have shown increased interest in the effectiveness of ethical codes recently, mirroring a shift among managers toward additional ethics training for employees (Davis & Welton, 1991). A professions code of ethics is a visible and explicit enunciation of its professional norms, its moral dimension, and its collective conscience. It also can be aspirational in providing ideals (notions of right and wrong) to which practitioners should strive (Méle, 2009); educational in providing commentary and interpretation to demonstrate means for resolving ethical dilemmas encountered in the profession; and/or regulatory which in providing detailed rules to govern professional conduct and prescribe grievance procedures due to the inadequacy of laws as a remedy and the advantages to business of this approach over government regulation (Frankel, 1989; Weller, 1988; Preble & Hoffman, 1999).

Recently, Schweiker (1993) argued that moral agency lies correctly, not in selfrealizing soul of the individual agent or team, but in the relationship between language and activity, provided over time. According to Donaldson & Dunfee (1994), hypernorms are ethical norms considered highly legitimate and obligatory. They are second-order moral concepts because they represent norms sufficiently fundamental to serve as a source of evaluation and criticism of community generated norms.

The key reason why accountants and auditors are concerned about ethics is the need for acting in accordance with the same principles around the world, dealing with different SME in the same markets. Many professionals have their own professional ethics codes which determine the standard of their occupational behaviour (Colin & Schultz, 1995). Indeed, the main goal of these codes is self-criticism and self-development. In this regard, professional ethics limits arbitrary behaviours whilst practicing a profession and guides professionals towards the behaviour necessary for the moral principle of the subject occupation.

According to deontologists, an action is right only if it is done out of duty, and not because of what might be gained from engaging in that action. Much of the recent work involving deontology has been influence by Kant, whose categorical imperative insists that we act only in ways that we can imagine everyone else acting (Bowie, 1999).

Gaumnitz & Lere (2002) argue that the code of ethics effects a change in action by changing the individual’s beliefs as to whether an action is ethical or not. Also, Gaumnitz & Lere (2002) indicate that obeying the law is ethical behavior or failure to obey the law is unethical behavior. Thus, professional ethics deals with potential problems confronting members of a profession and their impact on others. Being a member of a profession implies that should be attributed treated fairly not only to clients but also colleagues and the public (Vee & Skitmore, 2003).

A professional code of ethics sets out the standards of conduct that apply within a domain or discipline. This serves the function of creating a common set of standards that define norms of behaviour for professionals within a domain or discipline, thus safeguarding both the integrity as well as the reputation of the discipline (Bullock & Panicker, 2003). The concept of ethical norms is developed by the local community in terms of hypernorms. As O'Dwyer & Madden (2006) defend that the ethics codes may have the potential to increase individual moral awareness and good conduct as well as assist in recognizing and resolving moral conflicts.
3. From Code of Ethics to diversity of application

In this section is presented a comparison between the ethical principles in Portugal and Italy among professional accounting bodies. In Portugal there are two professional bodies, Institute of Certified Accountants (in Portuguese, Ordem dos Contabilistas Certificados – OCC) and the Institute of Statutory Auditors (in Portuguese, Ordem dos Revisores Oficiais de Contas - OROC). In Italy, there are two professional bodies, Institute of Accountants (in Italian: Consiglio Nazionale Dottori Commercialisti e degli Esperti Contabili - CNDCEC) and Institute of Statutory Auditors (in Italian: Istituto Nazional Revisori Legali - INRL).

Ethical professional practice includes overarching principles that express values, and standards that guide conduct of professionals. In accounting, overarching ethical principles include: honesty, objectivity, responsibility, among others. Professionals shall act in accordance with these principles and shall encourage others within their organizations to adhere to them.

The ethical principles in Portugal, is justified respectively, under paragraph 1 of Article 3 the ethics codes of OCC (in Portuguese, Código Deontológico da OCC - CDOCC) and at paragraph 2.1.3 of section 2 the ethics code of OROC (in Portuguese, Código de Ética da OROC - CEOROC). In Italy the ethical principles are justified the ethics code of certified accountants (in Italian, Codice deontologico della professione di dottore commercialista ed esperto contabile – CDPDCEC) (CNDC, 2008) and the ethics code of statutory auditors (in Italian, Codice Deontologico del Revisore Legale – CDRL) (INRL, 2004).

The first principle to be analysed is that of integrity, the according to Raiborn & Payne (1990):

“integrity is exemplified by action based on moral principles, including but not limited to honesty, sincerity and candor.”

Already Hartman & Bucci (1999) advocate:

“the principle of integrity involves action that reflects consistency in values”.

Indeed, Covey (1995) note:

“That integrity is the offspring of humility and courage. Principle-based ethical approaches argue that proper actions are those that lead us toward a more virtuous life.”

In Portugal, the Codes of Ethics Certified Accountants say that the principle of integrity implies that the profession is guided by standards of honesty and good faith. However, the ethics code of OROC all statutory auditors should be correct and honest in all professional and business relationships. However in Italy the code of ethics Institute of Accountants (CDPDCEC) is observed that all professionals must comply with the principle of integrity, i.e must act with integrity, honesty and fairness in all its activities and relationships, both at the level of staff without discrimination religion, race, nationality, political belief, sex or social class. But the code of auditors (CDRL) does not meet the principle of integrity.

The principle of competence, the according to Raiborn & Payne (1990: 874):

“competent individuals are capable, reliable and duly qualified. The inclusion of this value in an evaluative framework reflects the ideal standards of continuous self-improvement and habitual reliability. For professionals involved with meeting planning, reliability is exemplified in following through on contractual promises. Competence can be heightened through participation in continuing education and professional development programs.”

Another researcher, Wolnizer (2015) argues the importance of reviewing the rules of International Education:

"It is to improve the consistency and clarity in articulating the nature of professional competence in terms of technical competence, professional skills, and professional values, ethics and attitudes."
In Portugal, all Certified Accountants must comply with the principle of competence, this implies carrying out their duties diligently and responsibly, using the knowledge and techniques disclosed, respecting the law, accounting principles and ethical criteria. In the same line the CEOROC says that all reviewers must comply with the principle of competence and professional care, ie maintaining professional knowledge and skills at the level required to ensure that the customer receives professional quality services as a result of the development of current practices, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

The Italian ethics code of certified accountants (CDPDCEC) defends that the principle of competence, performance and quality of care emphasizes that all professionals have the continuous duty maintain their professional competence and capacity at the level necessary to ensure its customers payment benefits professional level of high quality, according to the practice and current technical professionals and regulatory requirements. But the code of auditors (CDRL) does not meet the principle of competence.

The AAT (2015) states that the confidentiality principle is:

“information acquired as a result of professional and business relationships must not be used for the personal advantage of the professional concerned, or of third parties.” If there is a "breach of confidentiality, the law provides a number of penalties for disclosure of confidential information without the relevant consent.”

In Portugal, all certified accountants must comply with the principle of confidentiality implies that all accountants and their employees keep professional secrecy about the facts and the documents they obtain, directly or indirectly, in the exercise of their duties. The OROC explains that all reviewers must comply with the principle of confidentiality, that is, respect the confidentiality of information gathered as a result of business relationships and consequently does not disclose any information to third parties without permission, unless there is a right or legal or professional duty to disclose or use the information for personal or third party advantage.

In Italy, the CDPDCEC the principle of confidentiality states that all reviewers and experts in finance should fulfil the obligations of professional secrecy and protection of personal data, under the legislation in force, must also respect the confidentiality of information acquired in the profession and shall not disclose this information to anyone, except that it has the right or duty to disclose in compliance with the law. The Italian code of ethics statutory auditors (CDRL) says that in the exercise of official audit profession accounts must be guided by principles of confidentiality to avoid the use of any form or distribute news or information obtained under or as a result of an assignment. As Arnold (2014) states that the auditor's independence is considered:

"as the basis of the audit profession. Their maintenance is crucial to ensure the maintenance of public confidence in the work of the audit profession and as such, strength and stature of the profession rest on it."

On the other hand Marques & Pereira-Azvedo (2009: 229) argues that:

"The high number of Accountants Certificates to practice, and the level of competition that exists between these professionals, are factors that could jeopardize the technical independence."

As Williams (1992) note:

“points out, the concept of independence in accounting has shifted from its being conceived as an integral part of the character of a professional to being regarded as an economic commodity.”

In Portugal, all certified accountants must comply with the principle of independence, that is it implies that all remain equidistant from any pressure build their own interests or outside influences, so as not to compromise its technical independence. The ethics of reviewers Captcha code is not described the principle of independence.
In Italy, the CDPDCEC states that all accountants must comply with the principle of independence, all employees must comply with the rules on independence and incompatibility presented about the nature of that involvement. In CDRL the auditor must exercise in full independence and autonomy using in the full sense and in accordance with applicable regulations, their knowledge and judgment for him from the professional preparation and the direct knowledge and depth of facts and situations.

In the research Tsahuridu (2014) considers that the accountants:

"In business they are sometimes hired for their professionalism and independent judgment. Its organizational identity can become more dominant than their professional identity. This is not necessarily a problem, but it can become one if the problems are resolved without considering the job responsibilities that are fundamentally about serving the public interest."

In Portugal, the accountants must comply with the principle of responsibility implies that Accountants Certificates take responsibility for the acts committed in the performance of their duties. Must also comply with the principle of suitability, this implies that all accept only work if you feel fit to play. The code of ethics of OROC does not meet these two principles. In Italy, the code of ethics of the two bodies are not described the principles of responsibility and trustworthiness.

For Carreira & Gonçalves (2012), equity is the ability to recognize, impartially, the right of everyone, that is, the equality or equivalence of treatment. Equity corresponds to the characteristics of who reveals sense of justice, fairness, impartiality, neutrality, fairness in behaviour correction in the course of action or opinion and honesty.

In Portugal, the principle of equity is implied to all certified accountants to ensure equal treatment and attention to all the entities they serve, except as provided in agreed contractual standards. The principle of equity does not apply to statutory auditors. In Italy, the principle of equity is not found in the ethical codes of the two bodies. According with Wilson (2013) states that there are ways to make loyalty because:

"It is something that is developed with the direct result of our own actions, behaviours and motivations. When we put the trust in question, when we do not keep our word or promises, whenever we failed to keep our word or promises, or have not enriched others enriched meaning as much as we get more out of the relationship they have loyalty It is lost."

In Portugal, the principle of loyalty stresses that all certified accountants, in their mutual relations, act with correction and civility, refraining from any personal attacks or derogatory allusion, basing their conduct compliance with the rules of fair competition and the rules statutory in order to dignify the profession. However, the code of ethics OROC not describes the principle of loyalty. In Italy, there is the principle of loyalty in both organisms. According to Philips (1963: 697):

"Most of the problems that accountants have to develop sound accounting practices judged is in the inevitable conflict arising from the need for figures that are both realistic and objectively measurable time."

In Portugal, the code of ethics of certified accountants does not obey the principle of objectivity. However, the code of ethics of OROC stresses that all reviewers must comply with the principle of objectivity, that is, not allow ambiguities, conflicts of interest or undue influence of others to offset the professional judgments. In Italy, the CDPDCEC stresses that Certified Accountants must comply with the principle of objectivity, that is, act in the absence of bias, conflict of interest or undue influence that might influence their judgment or their professional activity. The INRL does not comply with the principle of objectivity.

In Portugal, the code of ethics of certified accountants does not express the principle of professional behaviour, but all accountants should avoid any action that discredits the profession. In the code of ethics of OROC, the principle of professional behaviour emphasizes that all ROC and auditors must comply with all relevant laws and regulations and avoid any action that discredits the profession. In
Italy, CDPDCEC expresses the principle of professional conduct, states that all auditors should have a professional demeanour and be in harmony with the dignity, honour and image of the profession, even out of the same exercise. The INRL does not comply with the principle of professional behaviour.

Due to the differences of application, it is important to summarize on the table 1 a comparison of ethical principles in Italy & Portugal. Some possible differences are limited to the commitment of the accountant and the auditor.

Table 1 - Comparison of ethical principles in Italy & Portugal

<table>
<thead>
<tr>
<th>Principle</th>
<th>Italy</th>
<th>Portugal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Certified Accountants</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Institute of Statutory Auditors</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Integrity</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Independence</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Objectivity</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Suitability</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Competence and professional stamp</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Responsibility</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Professional behavior</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Equity</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Loyalty</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Table 1 show the level of engagement with principles in Italy and Portugal. So, the Order of Accountants present as identical principles in Italy and Portugal. Although in Portugal apply the principle of honesty, fairness and loyalty. In Italy require the application of the principle of objectivity and professional conduct. The Order of Statutory Auditors focuses different general principles. In Portugal, it requires with integrity, objectivity, competence and professional care, confidentiality and professional behavior. And in Italy, it requires the principle of independence and confidentiality. So, several principles may be proposal to the SME to create a specific Code of Ethics.

4. From diversity of application to increase the transparency

The next table we analyse the comparative accounting and auditor professions in the countries of Italy and Portugal.

Table 2 – Diversity of application based on demands of ethics content

<table>
<thead>
<tr>
<th>Country</th>
<th>Ethics</th>
<th>Accounting</th>
<th>Auditing</th>
<th>Education and Admission</th>
<th>Disciplinary Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supranational law</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy</td>
<td>--</td>
</tr>
<tr>
<td>National law</td>
<td>Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
</tr>
<tr>
<td>International Standards</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy</td>
<td>-</td>
</tr>
<tr>
<td>Governmental agency regulation</td>
<td>Portugal</td>
<td>Italy/Portugal</td>
<td>Portugal</td>
<td>Portugal</td>
<td>Portugal</td>
</tr>
<tr>
<td>Professional self-regulation</td>
<td>Portugal</td>
<td>Italy/Portugal</td>
<td>Italy/Portugal</td>
<td>Italy</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 9)

The results of the Table 2 show the information by diversity of application of supranational laws (i.e. EU directives), national laws, international standards, governmental agencies regulation and
professional self-regulation. In the first column, it is possible to observe that Portugal at the ethics level, supranational and national laws, international standards, government regulations and even professional self-regulation. Although, the ethics level in Italy exists at supranational laws and international standards.

The second column demonstrates that Italy and Portugal the level of accounting law you US policies, national, international standards, government regulations yet professional self-regulation. In the third column, audits of level the two countries are similar with EU directives, national, international standards yet professional self-regulation, but Portugal has regulations government and not Italy. In the fourth column may be noted that the level of education and that Italy has admission EU directives, national, international standards yet professional self-regulation and Portugal is similar, even with government regulations. The fifth column shows that both countries have disciplinary actions at the national level and professional self-regulation and Portugal still have government regulations.

Table 3 – Professional title used by Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>Professional Title</th>
<th>Protection of the title by law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>Revisori Legali</td>
<td>Yes</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>Dottori Commercialisti e Esperti Contabili</td>
<td>Yes</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>Contabilista Certificada</td>
<td>Yes</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>Revisores Oficiais de Contas</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 10)

Table 3 presents the professional title used by the Accountants and Auditors in Italy and Portugal and also they are protected by law. Table 4 shows the mandatory citizenship and residency as a condition for memberships by Accountants and Auditors in Italy and Portugal.

Table 4 – Mandatory citizenship/residency as a condition for Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>Citizenship</th>
<th>Residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 11)

In the Table 4, the authors can see that Italy does not require neither auditors, neither accountants to be citizens of the European Union (EU). But the INRL requires that when they work in Italy, they must be resident there. In Portugal, all the accountants and auditors need that be citizens of the EU, and also, they must be resident in Portugal.

Table 5 – Restrictions on professional partnerships by Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>Allowance of professional partnerships in the country</th>
<th>Restrictions to the legal form</th>
<th>Possibility for a firm to register</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 12)

In the Table 5, the first column shows the allowance process of professional partnerships in the Portugal and Italy. In this case, Portugal and Italy have similar rules, for example, in Portugal the OTOC has a professional partnership with ESTG-IPG allowing accounting undergraduate students to
make practices in the organizations. In Portugal and Italy to establish partnerships there are restrictions on the juridical forms. In third column, it is observed that in both countries a business is not possible to register at the national entity in Italy and Portugal.

Table 6 – Higher Degree as requirement for Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>University degree required</th>
<th>Limitation of the faculties</th>
<th>Nº of years of degree level required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>Yes</td>
<td>Yes</td>
<td>3+2</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>Yes</td>
<td>Yes</td>
<td>3 or 5</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>Yes</td>
<td>Yes</td>
<td>3 or 5</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>Yes</td>
<td>Yes</td>
<td>3 or 5</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 16)

In Table 6, the first column indicates that to be admitted to the national entity is mandatory to have a university degree, both for Portugal and for Italy. There are limitations for some colleges to join the order. Also, it is observed even in Italy and Portugal. The INRL still requires that, to adhere, the number of years must be 3 + 2. In Portugal and CNDCEC require that the level of grade must be 3 or 5.

Table 7 – Training and Trainee programs by Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>Obligatory trainee period as pre-access requirement</th>
<th>Trainee courses organised by the institute</th>
<th>Trainee courses organised by external entities</th>
<th>Recognition of trainee periods abroad</th>
<th>Special criteria for trainee periods</th>
<th>Special section for trainees in Institutes register</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>3 years</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>3 years</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>6 months</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>3 years</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 18)

Table 7 shows that one of the prerequisites for access order is the stage, both in Portugal and in Italy. The access stage in Italy is equal to OROC in Portugal, both need a trainee with duration of more than three years, since the OTOC in Portugal is six months. In the second and third column, in Portugal and in CNDCEC, offer different trainee courses organised by the national entity in Italy and external entities. In INRL, there are the aforementioned courses. The fourth column shows that in Portugal and CNDCEC is not obligatory recognition of the internship abroad. However, the INRL compels recognition. The fifth and sixty columns demonstrate that in Italy and Portugal are required special criteria for training period and special section for trainees in process of register.

Table 8 – Admission examination by Accountants and Auditors in Italy and Portugal

<table>
<thead>
<tr>
<th>Country / National Entity</th>
<th>Entity competent for setting examination regulations</th>
<th>Entities that manage the examination</th>
<th>Frequency of examinations</th>
<th>Special exemptions for persons with other academic/profession al qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy (INRL)</td>
<td>University (for accountants)</td>
<td></td>
<td>Twice a year for accountants, once a year for auditors</td>
<td>No</td>
</tr>
<tr>
<td>Italy (CNDCEC)</td>
<td>Ministry of Justice (for auditors)</td>
<td></td>
<td>Biaannually</td>
<td>No</td>
</tr>
<tr>
<td>Portugal (OTOC)</td>
<td>OTOC</td>
<td>University</td>
<td>Three per year</td>
<td>No</td>
</tr>
<tr>
<td>Portugal (OROC)</td>
<td>OROC</td>
<td>OROC</td>
<td>Once a year for auditors</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Adaptation of FECM (2007: 22)
Table 8 shows that in Portugal and Italy are competent to set exams regulations and manage the examination. The first column shows that, in Italy, the INRL as the competent authority to demand the University for Accountants and the Ministry of Justice for auditors. CNDCEC is the Ministry of Justice. In Portugal, the official technical accounts Agency or OTOC and the OROC is the official agency for auditors.

The two regulators show the responsible for the exam. In Portugal which administers the exam are the regulators, OTOC and OROC. In Italy, the INRL ask the exam is administered by the University of Accountants and Ministry and CNDCEC is the university. The third column shows how often the test is performed annually. In Portugal the examination for access OTOC happens three times a year, the examination for access OROC is done. In Italy, the exam is similar to the Portuguese; the INRL is twice a year for accountants once a year to the auditors and CNDCEC biannually. Italy and Portugal there are no special exemptions entrance examination for people with other professional / academic qualifications. As Arrow (1975: 15) states:

> it can be argued that the presence of what are in a slightly old-fashioned terminology called virtues in fact plays a significant role in the operation of the economic system ... [T]he process of exchange requires or at least is greatly facilitated by the presence of several of these virtues (not only truth, but also trust, loyalty, and justice in future dealings).

5. Conclusions

An ethical SME use the code of ethics which encourage the decision-making process and its recognition of values, perceptions and attitudes that differentiate between the right and the wrong conduct. The level of development of the SME is applied to this code where ethics and culture agenda are expressed. In addition, the code of ethics proves that the SME accomplish with rules its employees, reduce fraud and show society a true performance. So, the first conclusion is the need for more education and formation inside the SME to positively change this tendency.

Today, the competitiveness that exists worldwide between SME, oblige the accountant and the auditor to reflect the importance of ethics in the compromise to follow standards and laws, at the same time, as reduce punishments. Thus, the second conclusion is the exploitation of the understanding of the role of code of ethics and their management is essential to avoid (i.e., social, economic, financial, marketing) crises.

In Portugal and Italy, the accounting field and its professionals recognize the importance of ethical principles for the profession and accountability. Although there is a match in terminology adopted for ethical principles, in essence, the codes under review elect the same ethical values, since both professions use accounting in daily exercise activity.

In the Order of Accountants, the general principles in Italy and Portugal are identical. Although in Portugal apply the principle of honesty, fairness and loyalty. In Italy require the application of the principle of objectivity and professional conduct.

In the Order of Statutory Auditors, the general principles are different. In Portugal require: integrity, objectivity, competence and professional care, confidentiality and professional behavior and in Italy require the principle of independence and confidentiality.

In conclusion, in both countries and both professional activities, there is the duplication of some ethical principles, but the exposition to report misconduct and unethical situations needs more harmonization. So, the better understanding of the ethical issues demands much to do, because laws, regulations and culture, in both countries, are differ and reveals important impact on the SME.
All studies have limitations and this paper is no exception. The first limitation is that each SME publish a self-report of the application of the code of ethics. This report shows the vulnerabilities that the SME may want to demonstrate, but it deals with self-enhancement biases. So, the first recommendation is that code of ethics may be vulnerable and, in some cases, may be counterproductive.

The second limitation is related with accountant and auditor adviser that he and she will solve the ethical dilemmas, but they must protect their reputation. So, the second recommendation is that code of ethics may come to be seen as something more than they really are able to be consistently with rewards and increase motivation.

This research is the first output of the research project that investigates the convergence between the Code of Ethics in the Mediterranean Countries: Portugal, Spain, France, Greece and Italy.

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European Federation of Accountants and Auditors for SMEs (EFAA, 2014). A practical guide to professional ethics for small and medium-sized accounting practices. Brussels: EFAA.


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