

Accountants at a crossroads: ethics and the fight against financial crime

The IESBA Ethics & Independence Conference 2025

ISEG, Lisboa

15 de setembro de 2025

Luís Laginha de Sousa

Presidente da CMVM

Good afternoon to all.

My first words are to say thank you to Gabriela Figueiredo Dias and to IESBA for the invitation to attend this international event.

I would also like to greet all the distinguished members of this panel, which I have the honour to open, as well as those who are present here in the room and those following us online.

To address the pressing issue of financial crime and the role of accountants, I will do it from the perspective of CMVM, the Portuguese Securities Market Regulator, which supervises both the capital markets, as well as the auditors.

Although our focal point are the “Auditors” and “Audit firms”, the insights taken from them are also applicable to the entire Accountants community.

To start with, I would like to share something that although it is not supported on scientific data, it corresponds to a very strong belief based on the interaction I have with my colleagues from other National Authorities, especially within ESMA.

The strong belief is that if those who have a responsibility on supervising and ensuring well-functioning markets, were asked to say, in just one word, what is the most critical element for well-functioning markets, I’m quite certain that the vast majority would choose the word, “trust”. This means that, Financial crime, which is a structural reality of our time, undermines the single most important aspect for well-functioning markets and it does so by defying, without exception, all systems of control and oversight, by being often highly planned, by using legally valid structures and complex networks of opaque transactions that create an appearance of normality.

Financial crime is also fragmented across entities, jurisdictions, and it often involves highly credentialed professionals.

As a result of the characteristics I’ve just mentioned, financial crime operations can be very difficult to detect and hard to address and to confront all this, the traditional mechanisms based on transparency and control face a combination of technical, legal, and also practical limitations.

So, the question we are facing is clear: How can we strengthen our defences to prevent and combat financial crime?

To address this question, I would like to recur to an analogy based on what I heard from a very special person which I had the privilege of knowing many years ago who unfortunately is no longer with us.

He served Portugal in many ways, including as Finance Minister, during a very difficult period.

Apart from having been a brilliant economist, he was an example of unmatched humanity, integrity and ethical behavior.

I'm referring to Professor Ernâni Lopes.

Those who had him as teacher, were always looking forward to his lectures because the way he presented problems and solutions were real masterpieces.

There is one of his lectures, in particular, which I thought would be a very good proxy to address both the question we are facing and the role of the accountants.

I'm referring to the lecture where he described what a Country GDP was and what were its sustainable growth drivers.

The essence of what he described can be summarized around very simple but absolutely crucial elements.

One element is that a country's GDP is nothing more than the outcome of billions of individual decisions, which are taken every second, minute, hour, day, week, month and year.

This means that every little decision counts, every single step matters, and to ensure that such individual little decisions lead to the socially desirable result, they have to be based on very solid ground, otherwise, instead of producing a positive cumulative effect, they can act against each other and produce the exact opposite result.

I believe this insight is quite powerful and applies equally and entirely to corporate accounting and auditing.

While it is the company's responsibility to ensure that its financial statements faithfully reflect reality, it is the accountant's role — whether as a business accountant or as an auditor — to represent that reality accurately.

This is done not only by staying up-to-date, acting diligently, and performing professionally, but, and above all, through solid ethical behaviour, which should guide judgments, decisions, and actions when providing services across audit, tax, consulting, and business roles.

Each entry, each judgment, each verification contributes to the bigger picture of financial integrity and, to an even broader picture, of sustainable economic growth and well-being for the society. That is why the role of accountants is crucial, not only when they prepare, analyse, and report financial information, but also when they act as auditors, providing assurance that such information is fair, reliable, and free from material misstatement.

Because every judgment counts, and no rulebook can cover every situation, we can say that providing cutting-edge technical training it is just as crucial as it is to foster a questioning mind, a strength of character, and the ethical courage to act under pressure.

Based on CMVM's supervisory experience, it is also important to clarify what we consider to be the auditor's role, and to do so, it is also helpful to start by saying what we consider it not to be, which is nor a criminal investigator nor a guarantor of the absence of fraud.

What is expected of auditors, when confronted with indications or signs of irregularities, whether internal or external, is that they document their judgment, justify the decisions taken, and act with the diligence expected given the nature and complexity of the identified facts, all in full compliance with the applicable standards.

Such standards aren't something that can be applied just in part. They require full compliance, which to be achieved, requires that we must reduce and ideally eliminate, two gaps:

One is the expectation gap — what the public thinks should be done versus what actually should be done,

The other is the performance gap — what the standards require versus what is actually done.

Another aspect to take into consideration is that Compliance with standards must be strict and verifiable, which is where other, less visible — but crucial — steps make a difference.

I'm referring to the vital work of professional bodies and supervisors in carefully monitoring and overseeing accountants' work, whether in audit functions or other roles. It is especially important that those with greater decision-making responsibilities incorporate the highest levels of ethical standards into their practice, because their impact on transparency and on a culture of compliance is significantly greater.

At the same time, the integrity of the financial system depends on collective capacity — including regulators, judicial and tax authorities, police, and professional organizations, just to name a few. They must share timely and useful information and connect fragmented signals into a coherent response.

We all have a duty to contribute to a culture of compliance and to help eradicate crime, each in our specific role, each with our own individual choices to strengthen a society based on integrity and accountability.

Although CMVM, in its capacity of supervisory authority for auditors and the securities market in Portugal, has handled some very high profile and complex cases, which allowed gathering a substantial amount of experience, I won't refer to any case in particular, but I would like to use our accumulated experience to draw important lessons about the challenges we face.

I will use the last time of my intervention, to highlight what we believe are some key points for reinforcing the audit's role.

The first one, which I've also mentioned already, is to Reduce the expectation gap and the performance gap.

The second is to Clarify responsibilities, as reflected in the proposed revision of ISA 240 on fraud.

The third is to Consolidate professional skepticism as a central pillar of auditing.

The fourth is about Mapping economic relationships and flows, ensuring proper supporting documentation, and explain why each action was taken — especially in higher-risk areas, such as related-party transactions, unusual fees, or non-recurring operations.

The fifth is to Integrate external data and signals into the audit process — such as media reports, analyst findings, or regulators' alerts.

The sixth and last one is to Reinforce national and international cooperation — to counter institutional fragmentation and to address cross-border illicit practices.

I don't have time, and it was not the purpose either, to elaborate on these points, but I hope they will serve as food for thought — and perhaps stimulate discussion in the following panel.

To conclude, my final words are just to say and returning to Professor Ernani Lopes lecture, that each decision counts in the integrated effort to prevent and combat financial crime.

This means that the decisions of accountants really count and the society and citizens also count on them.

I wish you a lively and fruitful panel discussion.

Thank you.