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## From Legitimacy to Accounting and Auditing For Citizenship

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### Abstract

This research deals with the relationship between accounting and auditing for citizenship. Indeed, the citizen as user of the financial information argues that the accountant and the auditor should take more responsibility for detection and dissemination of illegal acts to increase their legitimacy of the Annual Report. However, the citizen faces illiteracy. The goal is to struggle it. Through businesses, financial institutions and public entities, the multifaceted environment in which Annual Report is disclosure, must be linked to International Accounting Standards (IAS), as well as, the International Standards on Auditing (ISA) to diminish their complexity and increase transparency.

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### 1. Introduction

The citizen as user of the financial information argues that the accountant and the auditor should take more responsibility for detection and dissemination of illegal acts to improve the efficiency and effectiveness of the audit process (Guy & Sullivan, 1988). Also, it persuades them to search for errors and disclosure materially relevant effects to show citizens, that the nature and results of the audit process is more clearly and transparent (De Bellis, 2011). These are main reason for many authors share different opinions and strategies about legitimacy, such as: regulatory socio-political legitimacy (Kostova & Zaheer, 1999) or regulatory legitimacy (Scott, 2008). The legitimacy supports the strategy of business, financial institutions, public entities and organizations in order to legitimize their actions to the society.

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Legitimacy is a concept that is in a scientific expansion and, therefore, its concept is not completely stabilized. Over the years, several authors have tried to substantiate the discussion, contributing to increase our perception about the concept of legitimacy. In this line of research, the accounting and auditor do not limit their performance to give credibility to the financial statements of the business, financial institutions, public entities and organizations. For example, Porter & Gowthorpe (2004) detailed that the audit profession has been troubled by charges and huge controversies on several aspects, such as: liabilities assumed by the auditors and the detection of fraud and error. This problem has reached unprecedented levels with the bankruptcies of businesses, financial institutions, public entities and organizations, such as: Enron and WorldCom.

Indeed, accounting and auditing has been used extensively by the businesses, the financial institutions, the public entities and the organizations. Moreover, several studies use the agency theory framework for examine the role of the auditor in society (Adams, 1994). Based on the above, information asymmetry varies between organizations and environments and to reduce it, there is the effect of strong regulation well establish on laws, norms and regulations to empower the protection and the well-being of the citizen (Helliwell & Putman, 2004).

On the one hand, the theoretical framework of this paper is based on literature about accounting, in general, and auditing, in particular (Newman, 2006). On the other hand, the empirical framework reflects the practices in this field of the disclosure of Annual Report of the firm (Patton, 2002). The structure of the paper is organized as follows. Section 2 gives an overview from legitimacy and the accounting context. Section 3 goes from legitimacy and the auditing context. Finally, the section 4 presents conclusions and promotes future research.

## 2. From Legitimacy to Accounting for Citizenship

This paper introduces the legitimacy within the accounting and auditing process and combining it over the time and the businesses, financial institutions, public entities and organizations. The results of this process have an increase of the accounting for citizenship that provides a public service made by accountant that produce and disclosure the annual report. However, threats to independence may still exist regardless of any statutory measures designed to protect it (Porter et al., 2008). A complementary example could be made by the cooperative relationship and interaction between several entities in the area of accounting, specifically with International Federation of Accountants (IFAC), International Accounting Standards Board (IASB), European Commission (EC), International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), Public Interest Oversight Board (PIOB), Asociación Española de Contabilidad y Administración de Empresas (AECA), Ordem dos Técnicos Oficiais de Contas (OTOC) and Ordem dos Revisores Oficiais de Contas (OROC), among others.

Despite the importance of the accounting process on the economy, the duties and responsibilities of accountants have never been well defined and the hybrid role of accounting is associated with the financial statements disclosure made on the annual report of businesses, financial institutions, public entities and organizations. More and more, the accountant takes legal responsibilities and, in addition, the climate of rising level of expectations of the citizen that use the annual report, which the accountant produce it. Further, the accounting quality management comprises more than the perceived quality (Taylor, 2005). Indeed, this is source of legitimacy (Kostova & Zaheer, 1999; Scott, 2008), because it is based on the idea that a particular type of industry may have more or less legitimacy, compared with others, and a new business can require industry standards and credibility to acquire its legitimacy.

It is important to note that legitimacy is in development. But, it is increasingly important for business, financial institutions, public entities and organizations, i.e., it realizes what society thinks about them and it can thus change its strategy, meeting several expectations and needs of the society. These crises are closely linked to the communication between citizens *versus* accountants and auditors. Hence the importance attached to the clear explanation of all work out and objectives of the accounting. Meeting the expectations of users of financial statements is an effective objective of the accountant contributes to positively evaluate the dynamic factors of competitiveness, which will add value to the business.

The legitimacy of socio-political regulation (Kostova & Zaheer, 1999) or normative legitimacy (Scott, 2008) derives from norms and values of the society or a relevant social environment to the new business. The businesses, the financial institutions, the public entities and the organizations are appropriate when they use the desired standards and values that respect the employees and the community, among others. The cognitive legitimacy

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