ETHICAL STANDARDS IN THE EXERCISE OF FINANCIAL CONTROL

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Abstract

This article analyses ethical standards in the exercise of financial control, starting from the premise that the effectiveness of control does not depend exclusively on the robustness of procedures, the quality of audit or the performance of monitoring technologies, but also on the ability of organisations to transform integrity into a real criterion of decision making. In contrast to approaches that associate ethics almost exclusively with fraud prevention or with the ex-post sanctioning of misconduct, the present study treats financial control as an institutional practice of evaluating, challenging and validating economic truth. From this perspective, ethical standards are not formulated as simple declarative values, but as operational requirements concerning impartiality, traceability of decisions, independence of judgement, reporting of irregularities and protection of the public interest. The analysis is based on the main international normative frameworks and on recent academic literature. The instruments developed by IESBA, COSO, ACFE and OECD are examined comparatively, both in terms of their contribution to shaping ethical financial control and in relation to their practical limitations. At the same time, the article explores the role of organisational culture, leadership, incentives and whistleblowing, showing that ethical standards become effective only when they are supported by a coherent architecture of governance and ethical performance assessment. Special attention is given to the relationship between internal control, audit and technology, including the challenges introduced by artificial intelligence into verification and oversight processes. The case study dedicated to the Wells Fargo scandal illustrates how ethical standards may be emptied of substance when performance indicators, the logic of reward and hierarchical deference capture control functions. The central conclusion is that the ethical exercise of financial control requires more than written rules. It requires institutions capable of correctly measuring risk signals, protecting legitimate dissent and refusing to convert financial truth into a mere managerial instrument.

Keywords: *ethical standards, financial control, internal control, corporate governance, whistleblowing.*

Clasificare JEl: *M40, M48, G32, G38, D73*

1. Introduction

In the language of institutional practice, the expression financial control usually evokes a set of technical checks concerning the legality of operations, the accuracy of documents, the regularity of flows and the reliability of reporting. Such an understanding has its usefulness, yet it remains insufficient. To approve, reject, postpone, request additional justifications, reclassify an operation or escalate a suspicion means to exercise authority over economic truth. For this reason, financial control cannot be conceived merely as a procedure, because it is inseparably connected to the question of how professional power is exercised and to the purpose in whose name that power is exercised. COSO **(COSO. 2024)** emphasises that effective internal control has value beyond compliance and external reporting, contributing to organisational objectives with confidence and integrity, while the OECD **(OECD. 2020)** treats internal control and audit as parts of a broader system of integrity and risk management.

The digitalisation of processes, the pressure of quarterly performance, the use of advanced analytics and the expansion of artificial intelligence systems are changing not only the speed of control, but also the place where professional judgement is formed. At the same time, international standard setting bodies are extending their attention from rules of independence and classical control towards organisational culture, governance, technology and the assessment of the real implementation of ethical codes. IESBA **(IESBA. 2024)** has recently strengthened its standards in response to the transformations produced by technology and has launched projects concerning firm culture and governance, while COSO **(COSO. 2026)** has published new guidance on board oversight and internal control over GenAI and RPA.

Therefore, the issue is no longer whether ethical standards matter in financial control, but how they can be embedded in processes, incentives, reporting structures and measurement instruments so that they do not remain simple statements of reputation. This is also the central stake of the present article. It starts from the hypothesis that ethical standards in the exercise of financial control are not moral accessories added to a function already defined technically, but conditions of possibility for its proper exercise. Without them, control may continue to exist formally, yet it ceases to produce trust, correction and responsibility.

2. Conceptual Foundations of Ethical Standards in Financial Control

Ethical standards in financial control must first be understood as norms that guide professional judgement, and not merely as general formulas about good and evil in organisations. Financial control does not mean the simple mechanical application of a grid. It involves the selection of relevant information, the interpretation of deviations, the assessment of materiality, the evaluation of good faith, the reporting of risk and the distinction between error, negligence, commercial pressure and deliberately improper behaviour. From this perspective, ethical standards are the benchmarks that transform control from a technical exercise into a practice that can be publicly justified. When the control function is exercised ethically, it seeks not only apparent regularity, but also the economic substance of operations, the effects of decisions on affected parties and the consequences of institutional silence **[15].**

At the normative level, the clearest conceptual core is provided by IESBA, which maintains five principles as the foundation of the conduct of professional accountants, namely integrity, objectivity, professional competence and due care, confidentiality and professional behaviour **[10].** The IESBA guidance on proportionality, published in 2026, insists on an idea that is important for financial control: ethics is not proportional, even though the way in which the Code is applied may take into account the size and complexity of the organisation. In other words, the moral standard of honesty and objectivity remains the same, while the institutional mechanisms through which it is supported may vary. This distinction is essential because it prevents two symmetrical errors: turning ethics into a luxury reserved for large corporations and, at the opposite extreme, turning proportionality into a pretext for laxity **[11].**

In such an approach, the ethical standard of financial control cannot be reduced to not stealing or not lying. More profoundly, it presupposes the willingness to remain loyal to economic truth when the organisational environment encourages accommodation, cosmetic adjustment or postponement. For this reason, ethical financial control is inseparable from what may be called an epistemic obligation, namely the obligation not to produce, validate or tolerate information that distorts the reasonable understanding of the financial situation. The literature on organisational ethics shows that some organisations may end up producing harm precisely through their ability to control, filter and instrumentalise compromising information. In such a framework, the ethical standard is not merely a rule of conduct, but a deliberate limit placed on the power to conceal or reinterpret data **[20].**

Moreover, ethical standards operate not only at the level of the result, but also at the level of the procedure. In the exercise of financial control, the way questions are asked, the way exceptions are documented, the way disagreement is managed and the willingness to record reservations are elements just as important as the final conclusion. From this point of view, financial control may be formally impeccable and yet ethically precarious if it has been carried out in an atmosphere of intimidation, with a deliberate reduction of the space for contradiction or with excessive dependence on management preferences. An experiment published in the Journal of Business Ethics shows precisely that workers more often choose automatic reporting and cheat less when leaders themselves make ethical choices and are able to sanction misconduct. Nevertheless, many leaders choose the permissive option and may even penalise transparency. This conclusion is particularly relevant for financial control because it shows that the ethical example of leadership influences the very structure of reporting **[16].**

Therefore it follows, that ethical standards in financial control have a dual nature. On the one hand, they are substantive principles that prohibit falsification, bias and complicity. On the other hand, they are standards of exercise: they require complete documentation, independence of judgement, willingness to escalate risks, proportionality in assessment, respect for confidentiality and refusal to convert control into an instrument for legitimising decisions already taken. In this light, ethical financial control is not a secondary activity in relation to performance, but one of the conditions of its sustainability.

3. Operational Limits in the Exercise of Financial Control

If the conceptual foundations show why ethical standards are constitutive for financial control, normative frameworks show how institutions attempt to transform them into procedures, responsibilities and monitoring instruments. Nevertheless, the comparison of these frameworks reveals the central tension of the field: standards are indispensable, but never sufficient.

The IESBA Code and its associated guidance concern the ethics of professional accountants and independence. Their major strength lies in the fact that they provide a clear core of principles, anchor financial control in the public interest, include NOCLAR and develop guidance for the use of technology. Their practical limitation is that they depend heavily on professional judgement and internalisation, while saying relatively little about the design of incentives and about organisational culture as a whole. **[10]**

The COSO Internal Control framework and the Fraud Risk Management Guide focus on internal control, governance, risk management and deterrence. Their strength lies in connecting the control environment with objectives, reporting and compliance, while also offering a clear architecture of roles and updating control for RPA and GenAI. At the same time, they may be applied in an excessively procedural manner and, by themselves, they do not produce moral courage, trust in speak up mechanisms or protection against retaliation. **[6]**

The ACFE Report to the Nations and anti fraud practices provide empirical benchmarking and support fraud detection and prevention. They offer comparative data on losses, detection, the effectiveness of controls, training and reporting channels. However, their orientation is predominantly anti fraud and diagnostic. They do not constitute a complete ethical code for professions and organisations.

The OECD Public Integrity Handbook and the Public Integrity Indicators concern integrity, open culture, risk management and implementation assessment. They emphasise organisational openness, whistleblower protection, risk registers, dashboards and the distinction between rules and their real implementation. However, they are designed primarily for public integrity and require additional adaptation when applied to the specific details of corporate financial control.[**18]**

Critically speaking, the greatest strength of IESBA lies in its refusal to separate technical competence from professional ethics. Its Code treats integrity and objectivity not as optional additions, but as premises of trust in financial and non financial information. In addition, recent revisions concerning technology show that ethical norms must remain valid regardless of the instruments used, while IESBA projects on firm culture and governance explicitly start from the observation that ethical failures are rarely explained solely by the absence of rules.

Nevertheless, precisely because it is a principle based code, IESBA encounters limits when organisations try to translate principles into the concrete design of remuneration, into the investigation of misconduct or into the management of the tension between growth and control. The fact that IESBA launched post implementation reviews in 2026 for NOCLAR and for the restructured Code is significant: even the standard setter recognises that the real problem is not only the quality of the norm, but also its effectiveness in practice **[12].**

By contrast, COSO offers the most solid architecture for organising control. Its merit lies in connecting the control environment, risk assessment, control activities, information and monitoring within a coherent institutional logic. At the same time, the COSO ACFE guide on fraud risk management and the new COSO publications on board oversight, RPA and GenAI show that current financial control practice must include oversight of automation, models, frequent configuration changes and opacity risks. Yet the same architectural strength may also become a limitation: when applied in a purely procedural register, COSO may create the illusion that sufficient formalisation can replace professional courage, legitimate dissent and a climate of trust. However, the early reporting of misconduct and the refusal to validate a convenient explanation do not automatically flow from the existence of a control matrix **[6].**

The contribution of ACFE is different, but essential. If IESBA says what the professional should be, and COSO shows how a control system can be built, ACFE shows what happens in practice when control does not function or functions too late. The 2026 data confirm that organisations continue to lose approximately 5 percent of revenues due to fraud, that a typical case remains undetected for twelve months, that 43 percent of cases are discovered through tips and that more than half of those tips come from employees. ACFE also shows that anti fraud training, management review, proactive monitoring and surprise audits are associated with lower losses and faster detection. The limitation of this perspective is that it remains, by its nature, predominantly empirical and anti fraud oriented. In other words, ACFE provides strong arguments for investing in controls and a reporting culture, but it does not, by itself, offer a complete theory of the ethical obligation of financial control **[2].**

In turn, the OECD completes the picture through its emphasis on organisational openness, whistleblower protection and the assessment of the gap between the strength of norms and their effective implementation. The 2020 Handbook shows that risk registers and dashboards can support decision making **[17]**, while the 2026 Public Integrity Indicators explicitly introduce the distinction between the de jure and the de facto dimensions of integrity systems. **[18]**

This distinction is decisive for financial control because it explains why organisations with apparently robust rules may continue to produce repeated misconduct. The OECD even shows that, in OECD countries, there is a gap between the robustness of integrity regulations and their practical implementation. This finding has a direct echo in the world of corporate financial control: crises most often arise not from the absence of a code, but from the failure to transform the code into verifiable daily practices.

Viewed as a whole, the international normative architecture sends a firm message: ethical standards must be inserted into the process of financial control, not added afterwards. At the same time, that same architecture forces us to recognise that no standard can guarantee its own effectiveness. Codes need organisational cultures that make them plausible, controls need leadership that accepts dissent, and ethical assessment needs indicators capable of distinguishing between genuine calm and silence produced by fear.

4. The Organisational Dimension of Ethical Conduct in Financial Control

As recent literature suggests, ethical standards do not produce uniform effects within organisations. They are filtered through team subcultures, levels of management, power relations and the way in which the real costs of dissent are perceived. For this reason, it is insufficient to speak about the ethical culture of an organisation as though it were a homogeneous block. The Corporate Ethical Virtues model developed by Muel Kaptein showed that dimensions such as clarity, congruence of leadership, feasibility, supportability, transparency, discussability and sanctionability can be measured separately, while subsequent empirical research confirmed that the reduction of unethical behaviour depends not simply on the existence of rules, but especially on the ethical example of management, openness of discussion and reinforcement of compliant conduct. In other words, ethical standards become operational only when the work environment makes them intelligible and credible **[13].**

This conclusion is strengthened by a recent study published in the Journal of Business Ethics, which shows that the effect of the components of an ethics programme is not transmitted directly and linearly towards the reduction of unethical behaviour, but is mediated by the dimensions of team ethical culture. More precisely, the code of ethics, training, the ethics officer and the reporting line do not have the same effectiveness in all teams and in all organisations, while aggregate indicators of a good ethical culture may conceal local areas of vulnerability. This observation is highly important for financial control because it shows that the same policy may produce authentic compliance in one department and defensive ritualism in another. Therefore, ethical financial control must be conceived and assessed at the level of actual practices, not only at the level of the centralised design of the programme.

At the same time, the specialised literature shows that the ethical degradation of control usually does not begin with an explicit breach of the code, but with the defective design of performance. Research on pay for performance contexts suggests that signals of poor performance may increase the risk of fraud, while the literature on contests and managerial bonuses underlines that financial rewards strictly conditional on targets may produce adverse behavioural effects, including tolerance of misconduct, reduction of dissent and orientation towards immediate results regardless of process quality **[14].** These conclusions do not call for the abolition of incentives, but they do call for a reassessment of the relationship between remuneration, risk and control. When financial control is implicitly assessed according to its ability not to block the business, the ethical standard is already weakened, even before fraud appears.

The role of leadership is decisive precisely because it translates ethical standards into practical signals. Experimental research on reporting choices shows that workers align themselves more easily with ethical conduct when the leader personally chooses a transparent form of reporting. Nevertheless, the same research shows that leaders do not always choose ethically and may even penalise transparency. On the other hand, recent research on the reporting of counterproductive work behaviour shows that ethical leadership increases employees' moral potency and, in a climate of psychological safety, increases their willingness to report to colleagues when they observe misconduct. For financial control, the conclusion is clear: the ethical example of leadership and psychological safety are not human resources themes separate from control, but conditions of its real functionin. **[22]**

This logic is most visible in the field of whistleblowing. The OECD insists that an open climate presupposes safe spaces for discussing integrity concerns and clear reporting channels, while ACFE confirms that tips remain the most important method of fraud detection. Moreover, ACFE data from 2026 show that email and web-based channels have surpassed telephone lines as current forms of reporting, which requires organisations to think of whistleblowing not merely as a hotline, but as a trusted multi channel infrastructure. At the same time, the study by Vandekerckhove and collaborators shows that the essential problem of internal reporting is not the mere existence of the channel, but the organisation's capacity to signal competence, benevolence, integrity, transparency and identification to all actors involved. Therefore, a low volume of reports cannot automatically be interpreted as a sign of ethical health. It may just as well indicate fear, cynicism or the conviction that reporting is useless **[23].**

At this point, the discussion of ethical performance measurement becomes necessary. Too often, organisations declare that they have ethics because they possess a code, annual training and a reporting line. Such an assessment is insufficient. The OECD proposes a much more demanding logic, based on indicators that distinguish between the robustness of regulations and their practical implementation, between criteria and results, between de jure and de facto. In the world of financial control, a mature assessment should combine result indicators, such as the recurrence of misconduct, the number of overrides, the time required to close exceptions, the persistence of reporting errors and losses generated by insufficient controls, with process indicators, such as the credibility of reporting channels, the rate of substantiated reports, the quality of documentation of dissent, training coverage, the risk assessment of bonus schemes and the degree of validation of technological instruments. Put differently, the ethical performance of financial control must be measured by the organisation's capacity to detect, listen, correct and learn, not merely by the apparent absence of scandal.

Moreover, technology accentuates the need for this integrated assessment. Empirical data on AI assisted audit show that investments in artificial intelligence may improve audit quality, reduce the probability of restatements and even lower costs, but the same process is centralised, depends on specialised teams and may lead to the replacement of part of the junior workforce **[9].** COSO warns that GenAI introduces a new class of risks, from prompt manipulation and model drift to opacity and frequent configuration changes **[7]**, while IESBA shows that ethical norms must remain applicable to any technology, current or future. It follows from this that technology does not solve the ethics of financial control, but moves it into another register: model validation, responsibility for output, traceability of human intervention and prevention of the use of AI as a screen for decisions whose moral author becomes difficult to identify. Finally, it must be emphasised that the protection of integrity cannot remain exclusively internal.

The SEC whistleblower programme, updated through the annual report for fiscal year 2025, shows that external mechanisms continue to play a major role: the Commission awarded more than 60 million dollars to 48 eligible whistleblowers, and the programme itself is designed precisely to protect confidentiality and encourage the provision of credible information in the interest of investors **[21].** For financial control, the existence of such valid external exits is a strategic reality test: if the organisation fails to be worthy of the trust of its own professionals, information will sooner or later seek another forum of legitimacy.

5. Case Study on the Ethical Capture of Financial Control at Wells Fargo

The Wells Fargo scandal remains one of the most instructive examples for the present topic precisely because it does not describe the absence of financial control, but its moral degradation under the pressure of commercial strategies and poorly designed incentives. The problem did not consist in the total absence of policies, risk functions, human resources or internal audit. On the contrary, the organisational apparatus existed. What proved defective was the way in which this apparatus was colonised by the logic of targets and by the selective reporting of risks, to the point where control ceased to protect the customer and organisational truth. In 2016, the CFPB showed that Wells Fargo employees had secretly opened approximately two million deposit and credit card accounts that may have been unauthorised, driven by sales targets and compensation incentives **[4]**, while the OCC found that the bank had failed to develop and implement an effective enterprise risk management programme capable of detecting and preventing these practices **[19].**

The independent directors' report published in 2017 and available through the SEC is particularly important because it shifts the explanation from the register of individual misconduct to that of systemic causes. The report establishes that the root of the problems was the distortion of the sales culture and performance management system within the Community Bank, combined with aggressive sales management. At the same time, the decentralised structure of the group gave too much autonomy to the leadership of that division, which resisted control and minimised the scale of the problems when it was required to report them. The report also shows that the corporate control functions were constrained by a culture of difference towards the lines of business and missed opportunities to analyse, size and escalate the problem. Moreover, the board was not informed that sales represented a notable risk until 2014 and only learned that approximately 5,300 employees had been dismissed for violations related to sales practices in the context of the 2016 settlements **[21].**

The case becomes even more relevant when one observes the explicit tension between the organisation's declared values and the effective regime of incentives. The independent directors' report shows that, over time, a growing contradiction emerged between Wells Fargo's vision and values and the Community Bank's emphasis on sales targets. The objectives became increasingly difficult to achieve, the number of complaints and dismissals for integrity violations increased, and management treated the existence of low-quality accounts as acceptable by product of sales-driven organisation. Furthermore, employees felt pressure that failure to meet targets could affect their careers or even lead to dismissal. This is the classic form of ethical capture of control: rules do not disappear, but they are reinterpreted in an environment where the supreme objective becomes the maintenance of commercial metrics.

Another essential element concerns the infrastructure of reporting and oversight. The report shows that there were EthicsLine reports and internal investigations concerning possible violations of the code of ethics, the law and sales practices, but these were for a long time absorbed into a transactional register, without generating an adequate understanding of the systemic nature and scale of the problem. Only later did the board decide to combine Global Ethics and Integrity, Internal Investigations and oversight of sales practices and complaints into a new Office of Ethics, Oversight, and Integrity, and to extend the responsibilities of relevant committees in matters of culture, terminations and EthicsLine. From the standpoint of the present topic, this reorganisation is revealing: the organisation had to learn, at great reputable cost, that the control function cannot be effective if ethics, investigation and risk oversight remain fragmented and poorly coordinated. Significantly, the Wells Fargo case did not end with the 2016 sanctions and the 2017 report. In 2022, the CFPB ordered Wells Fargo to pay 3.7 billion dollars for widespread mismanagement of auto loans, mortgages and deposit accounts, affecting more than 16 million consumer accounts.

The official communication referred to a repeated cycle of legal violations, accounts frozen based on a faulty automated filter, misapplied payments, unjustified repossessions and the charging of unlawful fees **[5].** For the present topic, this continuation is decisive: it suggests that symbolic reforms and even reorganisations of control are not sufficient unless they are accompanied by a deep transformation of the ethical standards governing decision making, the relationship with the customer, the use of technology and the culture of escalation.

Analytically, the Wells Fargo case offers at least three major lessons. First, it shows that ethical standards are practically annulled when performance assessment rewards the result without substantially qualifying the method. Secondly, the case demonstrates that control functions may exist formally and yet be neutralised by deference to the business and by selective reporting to the board. Thirdly, it confirms that whistleblowing is not effective if the signals received are treated as local incidents rather than symptoms of a systemic pathology. Precisely for this reason, Wells Fargo is a case study about the ethical capture of financial control and not merely about an isolated compliance failure.

6. Conclusions

The present article sought to demonstrate that ethical standards in the exercise of financial control are not simple declarative benchmarks, but institutional mechanisms that give direction, legitimacy and consistency to control. The true difficulty does not lie in formulating these standards, because integrity, objectivity, risk oversight, whistleblower protection and documentation of professional judgement are already firmly established in the instruments developed by IESBA, COSO, ACFE and OECD. The real difficulty lies in operationalising them in an environment in which pressure for results, automation, fragmentation of responsibilities and dependence on metrics may transform control into a ritual exercise. This is precisely where the difference lies between organisations that have ethics and those in which ethical standards actually govern financial control.

From the perspective of practitioners, the main conclusion is that it is no longer sufficient to maintain ethical policies separate from the control function. Remuneration, performance assessment, exception approvals, escalation schemes, validation of AI models, internal audit and investigations must be designed as parts of the same infrastructure. In concrete terms, organisations should assess their financial control function not only according to the number of findings or the speed with which they are closed, but also according to the quality of professional dissent, the frequency of overrides, the credibility of reporting channels, the integrity of incentives and the capacity of the system to transform weak signals into early interventions. Any architecture that rewards the absence of problems without distinguishing between institutional health and strategic silence risks measuring quietness rather than integrity.

For regulators and public policy actors, the lesson is equally clear. Mandating codes, training and reporting channels is necessary, but insufficient. Regulators should increasingly require evidence of actual implementation, not merely the formal existence of instruments, and this requirement already fits the OECD logic that distinguishes between de jure and de facto, as well as the IESBA efforts to conduct post implementation reviews of major standards. Coherently, future policies should encourage stricter reviews of incentive schemes, real protection of legitimate dissent, clearer standards for the governance of control technologies and reporting requirements concerning ethical culture indicators, not only classical financial indicators.

Finally, emerging challenges confirm that the topic cannot be considered closed. Artificial intelligence promises faster detection, predictive assessments and the automation of repetitive checks, but it may also create new zones of irresponsibility, especially when decisions become difficult to explain and human responsibility dissolves among technology providers, risk teams and operational management. At the same time, the outsourcing of processes, the complexity of data chains, the multiplication of reporting requirements and pressure on costs mean that ethical standards can no longer be conceived separately from technological architecture. Therefore, the question of the future is not whether ethics will survive technology, but whether organisations will be able to design technologies, incentives and control structures that remain governed by a demanding conception of truth, responsibility and public interest.

In conclusion, the exercise of financial control is either ethical, or it is not credible. When ethical standards become criteria of institutional design, financial control can prevent not only misconduct, but also organisational blindness. When those same standards remain mere texts, the control function may continue to operate, but it will do so against its own purpose. Recent experiences, from ACFE global data to the Wells Fargo lesson, show that the price of this confusion is not only legal or reputational, but structural: the loss of the organisation's capacity to tell the truth about itself.

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