

**Economic Crime in Poland and Worldwide, with
Particular Focus on Financial and Accounting Fraud**

Ryszard Kamiński

Faculty of Law and Administration, Adam Mickiewicz University,
PL 61-809 Poznań, ul. Św. Marcin 90, Poland
ryszard_kaminski@o2.pl

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

The paper focuses on economic crime, and accounting fraud in particular. It aims to grasp the dependence between the rate of that type of crime and the economic growth rate, and relevant legislation introduced to combat it. Poland's example is discussed and compared with other countries.

Recent years have witnessed a growing number of instances of economic crime. This may be closely connected with the global recession, also felt in Poland. Its negative consequences manifest themselves, among others, in an increased number of accounting fraud.

It is further concluded that the risk of accelerating economic crime has brought about a number of legislative acts focused on improving the functioning of internal controls in corporations and stricter supervision of external auditors. The regulations already implemented seem to provide effective tools for combating economic crime and, if properly used, may help to reduce, if not entirely eradicate, criminal practices from business corporations.

Keywords: economic crime, financial statement, accounting fraud, investors.

1. Introduction

The recent years have witnessed a deep economic recession that has affected most economies throughout the World. It is believed that among the main reasons for the global economic crisis is a rise in economic crime, and in financial and accounting fraud, in particular. The consequences of fraudulent accounting are particularly harmful to investors who usually have little opportunity to control those practices in companies.

Financial specialists as well as accountants agree that only complete elimination of every aspect of pathology in economy, and especially eradication of accounting fraud, will restore appropriate conditions for sustained development of economies. This opinion has been recently reflected in a number of legal regulations aimed at combating economic crime that have been implemented in the many countries all over the world, including Poland.

In this context, a question arises whether there is indeed a strong interdependence, or correlation, between the condition of the economy and the scale of economic crime,

and whether the new legislation aimed at counteracting criminal practices is effective. These questions, and even more an attempt to answer them has triggered the writing of this paper. The state of affairs in Poland, which is its main subject, have been presented against the background of the rest of the world, based on relevant literature, the currently binding legislation and reports prepared by auditors' firms.

First, the notion of economic crime is defined and types of crime classified, followed by a description of the reasons for and methods of committing criminal crimes, with particular focus placed on accounting fraud. Finally, economic crime in Poland and worldwide is analysed. An attempt has also been made to find a correlation between the condition of a country's economy and the size of economic crime. The new legal regulations intended to combat economic crime in Poland are also addressed.

2. Concept and classification of economic crime

In legal literature, economic crimes are defined as prohibited acts or acts against, or threatening, the supra-individual goods in the economic sphere. It is also stressed that they infringe not only upon the interests of all participants on the trading market (the entrepreneurs as well as the consumers) but also the interest of public finances institutions.

The economic crimes that may be committed within an enterprise include:

- crimes against property (all types of misappropriation, including embezzlement of financial assets or goods),
- crimes against business institutions (procurement of bank loans, insurance indemnities and other similar actions done by false pretences),
- money laundering,
- accounting manipulations (falsifying figures in account books, or forging accounting reports and documentation, use of falsified documents, certification of untruth and fiddling with figures),
- cyber crime (illegal downloading from the internet, using other's software for financial gain, theft of bank data base),
- putting on market goods under a forged or counterfeit trademark,
- sale of licensed goods without a licence,
- tax crime,
- crimes against the natural environment,
- crimes against employees' rights,
- crimes against data protection (disclosing or infringing professional secrecy and the secrecy of correspondence).

Accounting fraud, forging figures in account books and financial fraud are among the crimes frequently committed in business. Their definition is provided in standard 240 of the *International Financial Audit Standards* (IFAS, 2002) that determines the standards and guidelines regarding the liability of auditors examining the financial statements for the fraud and errors of the persons who have prepared the report. Pursuant to the IFAS 'fraud' is an intended activity—undertaken by members of the management, employees of an enterprise or third parties, the result of which are irregularities in the financial statements. The IFAS define five different types of fraud:

- Manipulation (fiddling with), falsification or alteration of data or documents,
- Embezzlement of property,
- Exclusion or omission in records or documents of the effects of a transaction,
- Registering of apparent transactions,

- Improper application of an accounting policy.

3. Reasons for and methods of financial and accounting fraud

The reasons for fraudulent accounting are varied, and range from the wish to gloss up on the actual financial condition and business situation of an enterprise, to an attempt of a financial fraud like falsification of the whole financial statements.

A. Biela and E. Bolesławska (2005) identified the reasons for forging data in the process of preparing financial reports, to which they included, first of all, an attempt to hide or to soften the company's unfavourable financial or business condition in order to obtain further financing allowing the continuation of its economic activity.

Among the reasons that are tightly tied to the very selfish interests of the members of the management falsifying financial statements is a wish to give shareholders and stakeholders an impression that the enterprise is not only in a stable financial condition, but one that is highly profitable, as this information is, as e.g. in the case of a listed company, reflected in an increased market value of its shares, and consequently higher gains and satisfaction of the shareholders. Another reason may be a wish to cover up various threats of the internal or external environment that may affect the company's business, or obstacles that may impede the meeting of the budget, or simply a wish to show satisfactory business ratios to ensure shareholders that a company is a going concern. Still another frequent reason is a desire to present an enterprise as a successful and expanding business in the hope of obtaining better financing conditions and external leverage.

The reasons for various types of crimes committed in the course of preparation of financial reports are numerous and vary depending on the actual situation or circumstances in which an enterprise or its management happen to be at a given moment. In this paper we focus on the following elements of the internal environment that are conducive to an increased incident of fraud. They are:

- a) Atypical management structure and position of its controlling (supervisory) organs i.e. the management is dominated by actions of one person or a small group whose decisions are not sufficiently controlled due to the lack of an efficient and independent audit organ;
- b) Pressure exercised on the management or the accountants in the enterprise to complete a financial report within a very short time; work under stressful conditions as well as internal or external pressure may prompt those responsible for preparation of financial statements to resorting to the forgery of documents;
- c) Specificity of the transaction (this applies mainly to transactions of substantial impact on the generated profits as well as transactions that require complicated accounting records as is the case of e.g. long-term contracts or contracts with related parties;
- d) Difficulties in obtaining the necessary or sufficient number of accounting receipts or records, due to incomplete documentation, numerous corrections of the accounting records, too many adjustments in the chart of accounts, or wrong register and documentation of transactions;
- e) Factors that have an impact on the functioning of the computer information systems, such as, e.g. large quantities of undocumented, unauthorised or untested alterations of the software, incompatibility of the transactions entered in the system with the receipts or records constituting the basis of entering those transactions into the accounts books, or absence of printed documents, relevant printouts of entries, or

incomplete documentation or description of the applied computed software or system (IFAS, 2002).

Among the circumstances of the external environment of an enterprise that may also prompt fraudulent behaviours or fraud are the crisis in a given branch of industry and resulting therefrom bankruptcies, which often makes financing of the existing activity substantially difficult, when profits drop below the budgeted level. Another specific example of external factors threatening proper preparation of financial statements is insufficient diversification of capital, like for instance in a branch very sensitive to market changes, or a situation in which an enterprise depends on several or only just one supplier or customer.

The literature contains a range of reports describing certain general systems and techniques of accounting crimes. Those most frequently identified include manipulation with the costs values such as:

- Activating undue costs,
- Faulty presentation of R & D costs,
- Manipulation with amortisation write-offs and outlays for improvements,
- Creation of 'silent' provisions,
- Write-offs revaluating the asset value (in particular the value of stock and the receivables),
- Neglecting the normal size of business in the assessment of the product stock.

Another common method of accounting crimes is manipulation of the revenue values, including:

- Fast-track invoicing and fiddling with dates of posting revenues,
- Sales with a re-purchase clause,
- Liquidation of unjustified provisions/reserves,
- Wash sales (e.g. deliveries without an order),
- Estimation of revenues in long-term contracts,
- Use of transfer pricing in order to transfer profits to another unit of the capital group.

Still another group of methods includes *inter alia*:

- Improper accounting for lease transactions,
- Fiddling with payment dates,
- Incorrect classification of an account clearing regarding the date of due payment,
- Faulty posting of contingent liabilities,
- Lack of fair separation between the effects of continued and not continued activity,
- Lack of disclosure of the actual threats to the continuation of business (Kutera, Hołda, Surdykowska, 2006).

An interesting classification of fraudulent or criminal accounting was made in September 1998 by A. Levitt, then chairman of the American Securities and Exchange Commission, at a meeting held at the New York University Center for Law and Business (Levitt, 1998). According to A. Levitt, enterprises use, or rather abuse, five accounting practices to influence their financial results and market position. They are:

- a) Big Bath Charges,
- b) Creative Acquisition Accounting,
- c) Cookie Jar Reserves,
- d) Materiality,
- e) Revenue Recognition.

The first practice consists in incurring, by a company, of a huge one-off restructuring cost – hence the term 'big bath charges'. Such practice is employed in order to reduce costs in the coming years and increase the future profit.

The second practice, creative acquisition accounting, has been recently on the rise in connection with an increasing number of mergers and acquisitions. The accounting manipulations involve transfer of substantial acquisition costs to R&D cost account, and subsequent writing off those costs from the taxable base. Another fraudulent practice in acquisition is assigning to the acquiring company's normal operating costs a percentage of the cost of the completed acquisition transaction of acquisition. This, in effect, leads to an increased profit of the latter.

Cookie Jar reserves is a practice of creating, in the years of prosperity, of fictitious provisions for the years of stagnation. This is a popular practice because the market reacts positively to enterprises that show stable and growing profits.

The fourth practice is the abuse of the 'materiality' of certain items in financial statements in order to create a desirable image of an enterprise. In this context the term 'materiality' is understood as a characteristic of a given item that indicates how and in what way that item influences the overall condition of the enterprise and its operations. This means that a certain element is regarded material if its value is of material importance and may influence the investors' or creditors' (e.g. banks) decisions. When an item is assessed as 'immaterial', its size is not worth a detailed analysis or description. Thus the material importance assigned to certain items of financial statements creates a situation in which persons responsible for the preparation of financial statements are more prone to treating certain transactions differently in order to achieve the desired image of the enterprise.

The fifth practice that A. Levitt identified is followed by accountants who do not ascribe revenues to the reporting periods in which they were actually generated. This practice, as Levitt explained, is manifested *inter alia* in recognising revenues before the sale is completed, or before the product is delivered to the customer, or in the event where the customer has a right to withdraw from a contract, to cancel it or to delay its completion.

4. Systematic actions combating financial and accounting fraud

In response to the significant decline in confidence in financial statements and limited trust in their fairness observed at the beginning of the 21st century, individual states decided to adopt policies intended to improve the quality of the financial statements prepared by enterprises operating in their territories. In practice this action is being carried out by means of implementing new, more restrictive but also, hopefully more efficient, measures, regulations, standards, special procedures and penal sanctions, as well as appointment of new supervisory and control institutions. Some of the most important measures undertaken in recent years in terms of new legislation and development of ethical norms regarding the work of auditors and corporate governance are presented below. The main focus has been put on the regulations governing the examination of financial statements applicable in Poland and the European Union of which Poland has been a member since 2004.

Directive 2006/43/EC and its implementation in Poland

The examination of financial statements in the EU Member States is governed by Directive 2006/43/EC of the of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts of 17 May 2006 (The Official

Journal of the EU, 2006). The Directive imposes an obligation on each Member State to organise an effective system of public oversight for auditors and audit firms. The system of public oversight has a very broad range of responsibilities including:¹:

- the approval and registration of statutory auditors and audit firms,
- the adoption of standards on professional ethics, internal quality control of audit forms and auditing,
- continuing education, quality assurance,
- investigative and disciplinary systems.

Among other duties that the European Council imposed on Member States is collaboration with one another's relevant organs that exercise oversight for statutory auditors and audit firms, known as home country control, the idea being that a supervisory organ of a Member State in which an audit firm has been registered is ultimately and fully responsible for its oversight, while a firm so supervised may operate and provide services within the whole territory of the European Union.

The same Directive also regulates the procedures of information exchange between organs responsible for public oversight for statutory auditors and audit firms in Member States in the area of investigation and explanation. What is more, pursuant to its provisions, Member States are obliged to collaborate with third countries and their relevant institutions, such as e.g. the American Public Company Accounting Oversight Board² and in compliance with the home country control principle.

Another noteworthy principle implemented by Directive 2006/43/EC is independence of a statutory auditor and an audit firm of the appointing company. This principle is to be safeguarded by the annual statement made by statutory auditors to the Audit Commission confirming their independence. Here, of capital importance is also the obligation put on each audited company to change its auditors every seven years.

The Directive also requires all statutory examinations to be performed in compliance with the International Financial Audit Standards (IFAS) provided, however, that each standard concerned has been approved by the European Commission and has been incorporated in European law.

On 7 May 2009, in fulfilment of the provisions of Directive 2006/43/EC, Poland adopted Act on statutory auditors, their self-governing organisation, entities authorised to audit financial statements and on public oversight. Further to that, the National Chamber of Statutory Auditors issued a code of auditors professional ethics.

The Act of 7 May 2009 provided for a number of new solutions regulating:

- public oversight for statutory accountants and audit firms,
- the system of financial audit quality assurance,
- definition of a financial audit,

¹ See Art. 32 (4) Directive 2006/43/EC.

² *Public Company Accounting Oversight Board (PCAOB)* was appointed by the US Congress pursuant to the *Sarbanes-Oxley law*. This institution is supervised by the *Securities and Exchange Commission*. It is responsible for oversight of the financial audit performed in public entities and for the protection of investors' and well as public interest.

- a list of entities within public interest³ and the requirement of audit committees to be created in those entities,
- collaboration of the Polish public insight organ with similar institutions in EU Member States and third countries,
- the length of contracts between audited entities within public oversight and key statutory auditors.

The Act also provided for appointment of an Audit Supervision Board to carry out public oversight for statutory auditors and audit firms and a National Chamber of Statutory Auditors to be appointed by the Minister of Finance.

Ethical norms

Proper functioning of social structures depends not only on relevant legislation governing them, but also on the universally accepted ethical norms. The same is true about the accounting standards.

Thus, in 2002, the Statutory auditor's professional code was adopted in Poland (National Chamber of Statutory Auditors, 2002). Its provisions underline such elements as reliability, impartiality, professional competence, non-disclosure of confidential information, independence of the profession, proceedings in the event of a dispute or a conflict of interests, fees, internal relations, information and other issues related to the performance of the profession.

Seven years after the adoption of the Code, the National Chamber of Statutory Auditors decided to replace it with the "Principles of the professional ethics of statutory auditors" which is a collection of principles and professional as well as moral and ethical values that persons professionally engaged in the accounting activity or similar activities should possess. The Principles set out standards of conduct of individuals who perform public interest professions, including chartered accountants and financial specialists.

In 2011, the National Chamber of Statutory Auditors replaced the national principles of professional ethics with international standards, and since then the binding norms are those provided for in the Professional IFAC's auditor ethics developed by the International Federation of Accountants.

Corporate governance

Corporate governance belongs to the overall legal system developed with a view to counteract financial fraud. The main principles of corporate governance emphasise the importance of the accounting system control and financial reports audit, since it is believed that the credibility of information presented in financial statements is contingent upon the reduction of financial and accounting fraud.

The notion *corporate governance* was first formulated by the Organisation for Economic Cooperation and Development (OECD) in its Principles of Corporate Governance that were meant to serve as a helping tool in the assessment and improvement of the legal framework, the relevant institutions and the binding regulations existing in countries in which a system of exercising influence on shareholders' supervision is in place. According to the OECD, corporate governance is a system through which economic organisations are managed and supervised. It is expected that good corporate governance will motivate the management to focus on

³ The entities within public interest include listed companies, national banks, cooperative credit-savings accounts institutions, insurance companies, and open and universal pension funds.

meeting the company's objectives and efficient use of the company's resources. It should also facilitate successful monitoring of the company's business, thus counteracting improper, or overtly fraudulent accounting practices and financial fraud (Ministry of the Treasury, 2004).

In Poland, the principles of good practice in public companies have been developed by the Good Practice Committee Forum – Corporate Governance and adopted by the Warsaw Securities Exchange. Those principles govern the proceedings at annual general meetings and the work of a company's management, and regulate the relationships between those organs and external institutions, including the appointment of a statutory auditor and disclosure of the company's information. The principles of good governance adopted in Poland place considerable attention to the supervision of the accounting policies and financial statements of enterprises, treating it as a condition of reducing potential criminal practices and other illegal behaviours.

5. Results of a study on economic crime in Poland

The research question posed in this paper of the dependence between the incident of economic crime and the condition of Poland's economy prompted this author to analyse the dynamics of the gross domestic product (GDP) as one of the fundamental measures of the country's economic development (Table 1).

Table1. GDP dynamics in selected countries in 2003-2009 (%).

Country	Years								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Poland	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.3
USA	2.6	3.5	3.1	2.7	1.9	-0.4	-3.5	3,0	1.7
Japan	1.7	2.4	1.3	1.7	2.2	-1,0	-5.5	4.4	-0.7
Germany	-0.4	1.2	0.7	3.7	3.3	1.1	-5.1	3.7	3,0
Great Britain	3.5	3,0	2.1	2.6	3.5	-1.1	4.4	2.1	0.7

Source: The World Bank, [http:// data worldbank.org/indicator/NY.GDP.MKTP.KD.Z](http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.Z).

As can be seen, the dynamics ratios of the GDP in Poland in each year of the 2003 – 2011 period were positive and relatively high. This suggests that the economic recession that was felt worldwide, and did not spare even such strong economies like the US, Japan, or, in Europe, Germany or the UK, seemed not to have invaded Poland. This, however, does not mean that the global economic situation, and particularly the economic crises affecting other European countries, had no negative impact on Polish enterprises and business as a whole. The significant slowdown of the dynamics of economic development in Poland in 2009 is the best proof that it did.

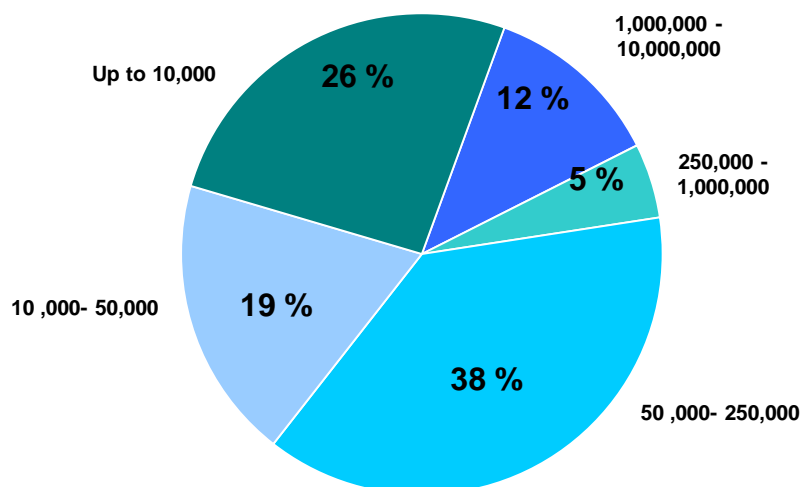
The Figures below show results of surveys carried out into the scale and structure of economic crime in Poland and worldwide. The presented data come from reports covering the period 2003-2011 that were published by PricewaterhouseCoopers, Deloitte and the Association of Certified Fraud Examiners (ACFE). Because the methodology of the research which generated the results has been changing over years, the analysed sub-periods are discussed separately.

The Global Economic Crime Survey 2005 published by PricewaterhouseCoopers was based on interviews with managers of over 3,600 companies from 34 countries, including 101 enterprises based in Poland. Its results indicate that in the period it covered, economic crime posed a real threat to Polish enterprises (PwC, 2005). During that time, at least one incident of economic crime was reported to have occurred in 54 % of the interviewed entities within two preceding years. The results published by Deloitte in their annual report were even more worrying, and suggested that the percentage of entities reporting economic crime increased from just under 60% in 2003 to 67% in 2006. Those figures were significantly higher in Poland than was the world average, i.e. 45% (Deloitte, 2006).

However, the most common practice, both in Poland and elsewhere, was misappropriation, or embezzlement of assets (Poland 80%, world 62%). The second most common crime was fraud (56%, and 47% respectively) (PwC 2005). Falsifying financial data and accounting manipulation was also a frequent malpractice, noted in about 13% of Polish companies, and 24% worldwide.

The survey conducted by PricewaterhouseCoopers did not include a detailed analysis of the financial effects of the individual crimes committed, and only pointed out that the average loss incurred by a Polish enterprise was almost USD 460,000, compared to about USD 1,700,000 globally. More details on the extent of loss resulting from economic crime committed in Polish enterprises are presented in Figure 1.

Figure 1. Average financial loss suffered by an individual enterprise in Poland in 2005 (in USD)



Source: Own survey based on the *PwC Global Economic Crime Survey 2005*, <http://www.pwc.com/crimesurvey>.

Although falsification of accounts data accounted for only some 15% (in Poland) and twenty something per cent (globally) of all economic crime committed, its effects were probably much greater, as indicated by the results of the investigation carried out by the Association of Certified Fraud Examiners (ACFE) in the USA. As it happens, it is not embezzlement of the company's assets but unfair financial reporting that causes the biggest losses for the economy. The ACFE's report⁴ on business crime in the USA published in 2002 (Report to the Nation on Occupational Fraud and Abuse) emphasises the fact that while embezzlement of assets has occurred in about 85% of the examined entities, unfair reporting was found only in 5%. However, a comparison of the average cost generated by either of the two crimes reveals that while the average value of an abuse of an asset may be as high as USD 80 000, one instance of unfair reporting creates a loss of USD 4,250,000.

PricewaterhouseCoopers published its "Economic Crime Survey, Poland 2009, Fraud in a downturn" despite the fact that neither before, nor thereafter, had there been reported an economic crisis in its classic form in Poland. The Authors, however, decided to focus on the impact of the global crisis in most worldwide economies on the situation and functioning of Polish businesses. A total of 3,000 of companies from 55 countries were surveyed, but it has not been revealed how many of them were from Poland, but the survey showed that within one year of 2009 one or another type of economic crime was noted in 30% of Polish enterprises, an exactly the same figure as the world average. A similar survey conducted in 2007 by PwC internationally reported crimes in 47% of Polish enterprises, but like in the survey of 2005, the figures came from a 2-year period. Taking this into account makes us believe that in recent years the rate of economic crime rate in Poland has increased.

Among the most frequent economic crimes in Polish enterprises, embezzlement of the company's assets continues to occupy the top position and accounts for almost 53% of all business crimes committed (Figure 2). The world average for that crime is 67% while corruption, coming second in Poland, accounts for 42% (27% globally). Infringement of intellectual property comes third (26% - Poland, 15% world average). It must also be stressed that the actual loss resulting from economic crime has substantially increased. While in 2005 a loss exceeding USD 1 million was reported by only 10% of enterprises, in 2009 that figure went up to 26% (see Figure 1).

In 2009 financial and accounting fraud was detected in 16% Polish enterprises, as compared to the world average of 38%. In the 2009 survey, a special attention was given to those instances of creative accounting which resulted in the actual loss suffered by the company in question. While worldwide there were 15% of such cases, in Poland their total did not exceed 5%.

As can be seen, in comparison with previous years, the instances of financial and accounting fraud have markedly increased, and in Poland this tendency was even more pronounced. PwC analysts believe that one of the main reasons for an increase in economic crime in Poland is an ineffective system of detection of such crime, due to inadequate tools engaged in internal audit, which is, in turn, a consequence of economising and savings programmes that many businesses have opted for in the face of worldwide financial crisis. Other possible reasons may be:

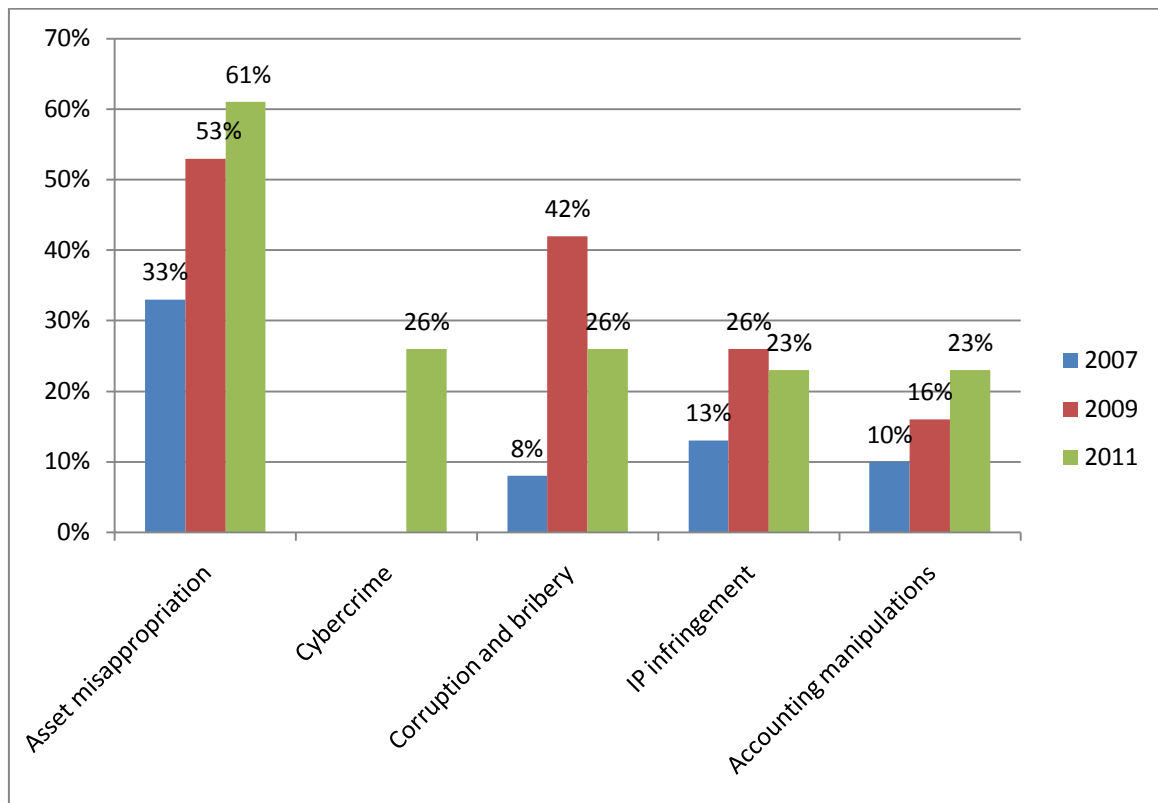
- a growing pressure on managers to meet the targets and objectives set for an enterprise, regardless the unfavourable external economic environment;
- a much higher public awareness of the possibility of economic crime and hence tighter controls and investigative measures.

The survey conducted by PwC in 2011 extended on almost 3900 companies including 79 from Poland. It revealed that the percentage of economic crime detected in Polish enterprises in

⁴ Association of Certified Fraud Examiners is an organisation with over 100 branches all over the world, concerned with prevention and detection of fraud.

that year increased by 9% in comparison with a 4% increase globally. As far as the structure of the economic crime, both in Poland and globally, there was a significant increase in all types of economic or related crime except for the infringement of intellectual property, corruption and bribery. This tendency was particularly visible in the embezzlement of assets, which was reported by 61% of Polish enterprises, and 72% companies worldwide.

Figure 2. Main types of economic crime in Poland in 2007-2011



Source: Own survey based on *Global Economic Crime Survey 2011*, <http://www.pwc.com/crimesurvey>.

In 2011 a new type of crime, committed via the Internet, was defined and termed cyber crime. It is interesting that when first identified, cyber crime in Poland already accounted for 26% of all economic crimes (23% the world average). Accounting manipulations were also significantly up, reaching 23% in Poland, and 24% worldwide.

The above data confirm that the global economic crisis has brought about a significant increase in criminal behaviours worldwide, and Poland has not at all been spared. Another characteristic feature of the recent years is a growing number of financial and accounting fraud. Although initially that crime was not very frequent in Poland, in the period of the global economic crisis the rate of instances of fraudulent accounting or financial fraud matched the global average.

Thus, as can be seen from the above figures, although Poland has till date managed, rather successfully, to remain unaffected by the negative consequences of the economic crisis, it has nevertheless experienced the overtly negative tendencies occurring in the moral sphere. Departure from business ethics that ultimately leads to a crisis situation which, to many, seems but the easiest way of coping with problems. Therefore the diagnosis of the recent economic crisis suggesting departure from business ethics as one of its main causes comes as no surprise.

There are already voices postulating restoration of that basic principle by those who participate in the economic decision making process.

6. Conclusion

The last years have witnessed an increasing incidence of economic crime which is very likely related to the global economic recession that has now continued for the fifth year and has caused in some countries a real economic crisis. Its effects can also be felt in Poland, and they have manifested themselves mainly as a slowdown in economic growth, although an increased ratio of financial and accounting fraud has also been observed.

In face of the growing threat of economic crime, Poland has undertaken a series of steps aimed at better functioning of the internal audit in companies and a more effective control and supervision system for audit firms. These new laws have been adopted in response to the recent legislation implemented in the European Union, but were welcome, and in many cases also inspired, like the drafts of ethics codes or the code of good corporate practice, by Polish business circles. It is still too early to state with a degree of certainty that those implemented measures have brought about the desired effects. It is, however, believed that they will constitute an important tool of combating economic crime in the future, and their expedient use will contribute to the reduction of criminal practices in business. Nevertheless to say that only elimination of economic crime seems to be the *sine qua non* condition for Poland's comeback on the fast track economic development path. The example of countries in which similar measures had been implemented earlier, and in their consequence the increase in economic crime has already declined, and accounting fraud has been practically eliminated, seems to justify the measures recently implemented in Poland.

References

- [1] Biela, A. and Bolesławska, E. (2005). *Oszustwa finansowe (Financial frauds). Podręcznik audytora (Auditor's manual)*. Warszawa. InfoAudit.
- [2] *Global Economic Crime Survey*. (2005). PricewaterhouseCoopers. <http://www.pwc.com/crimesurvey>.
- [3] *Global Economic Crime Survey*. (2011). PricewaterhouseCoopers. <http://www.pwc.com/crimesurvey>.
- [4] *International Financial Audit Standards 2001 – Polish edition, Standard No 240: Auditor's liability for accepting the possibility of fraud and errors during the examination of financial statements*. 2002. International Federation of Accountants, Association of Accountants in Poland. p. 129.
- [5] *Journal of Laws*. (2009). Act on statutory auditors, their self-governing organisation, entities authorised to audit financial statements and on public oversight: No 77, item 649.
- [6] Kutera, M. Hołda, A. Surdykowska, S. (2006). *Oszustwa księgowo teoria i praktyka. (Accounting fraud. Theory and practice)* Warszawa. Difin.
- [7] Levitt, A. (1998). *The Numbers Game*. <http://www.sec.gov/news/speeches/spch220.txt>.
- [8] *Nadużycia gospodarcze w firmach - wyniki badania sondażowego 2006. (Business abuse in companies – Results of a survey)*. (2006). <http://www.deloitte.com/>.

- [9] *PwC Global Economic Crime Survey*. (2005). <http://www.pwc.com/crimesurvey>.
- [10] *Report to the nation*. (2002). <http://www.acfe.com>.
- [11] *Statutory auditor's professional ethics code (Kodeks etyki zawodowej biegłych rewidentów)*. (2002). Buletin of the KIBR (National Chamber of Statutory Auditors): No 52 of 30 September.
- [12] *The Official Journal of the EU*. (2006). Directive 2006/43/EC of the of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts of 17 May 2006. Item 157/97 of 9 June.
- [13] The World Bank, [http:// data worldbank.org/indicator/NY.GDP.MKTP.KD.Z](http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.Z).
- [14] *Zasady nadzoru korporacyjnego OECD. (Principles of Corporate Governance OECD)*. (2004). Warszawa. Ministry of the Treasury.