

# RISKS OF FALSE ACCOUNTING: SOME REFLECTIONS ON THE NEW REGULATION IN ITALY

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## Abstract

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International financial fraud, such as Enron, WorldCom, and Parmalat focused worldwide attention on the quality of accounting and in particular the accounting information fraud caused by a problem with corporate internal control. The authenticity of accounting information is the main content of accounting information quality. The purpose of this article is to analyze the current situation of Italian law on accounting information, following the latest reform on the quality of accounting information. In order to restore the punishment of the crime of false corporate communications, the Italian legislator intervened in 2015 on the issue with the Law No. 69/2015 of May 27, 2015, containing “Provisions on crimes against the public administration, mafia-type associations and false accounting”. This work aims to present the innovations introduced by this reform by identifying the new subjective and objective elements with regard to this type of crime, underlining the main differences from the previous legislation. The methodology used in this work is descriptive, as it analyzes in detail the new discipline highlighting the differences compared to the old legislation and the novelties of the new one, trying to highlight the various pitfalls that can be hidden in the financial statements. The paper is useful for senior management and fraud examiners in highlighting the areas most susceptible to fraud and the type of approach that can be taken to investigate cases of misconduct.

**Keywords:** False Accounting, Fraud, Fraudulent Accounting, Measurement, Financial Statement, Corporate Communications

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## 1. INTRODUCTION

False accounting is an accounting “technique” which consists in drawing up an untruthful financial statement, in order to pay fewer taxes or to obtain economic income for those who manage the company. False accounting is not a prerogative of listed companies, there have been cases of listed and unlisted companies and partnerships.

However, when it comes to partnerships, a false balance sheet has less impact on the rights of creditors than a false balance sheet of a corporation. The reason is obvious: the creditors of the company, in the worst-case scenario, will be able to take action on the personal capital of the partners.

The situation of a joint stock company is different: in this case, the balance sheet is very important for the creditors because the latter can only claim the company’s assets and not the personal assets of the partners. And since a false

accounting usually tends to declare fewer possessions and revenues than the real ones, or to declare a serious crisis, for creditors it could represent serious damage.

The issue of the relevance and significance of false accounting has been at the centre of an intense debate of an economic, corporate, and legal nature within civil society for over a decade. The need for correct financial reporting is perceived by the legislator as a primary and essential requirement, since an incomplete or false financial statement is not only not useful, but could even be misleading for those who, have relations with the company, and establish their own decisions on this document. In order for these choices to be correct, the image provided must be as faithful as possible to the company's reality.

In this perspective, it is reasonable to the interest of the community of the interlocutors of the company in the transparency and correctness of the financial statements, given that this document represents the main form of external company communication. This interest has been recognized as worthy of protection by the legal system, both by the civil legislator and by the criminal legislator<sup>1</sup>.

In a few years, the Italian legislator intervened in the discipline of corporate crimes twice. First, with Legislative Decree 61/2002, with which the rules on false accounting were rewritten, introducing a plurality of provisions that differed according to the consequences of the false behaviour and on the basis of the material object of the forgery. In particular, in Article 2621 of the Italian Civil Code the general figure of this criminal conduct was outlined under the heading "*False Corporate Communications*": the legislator configured a crime of danger, having a contraventional nature, but for the punishment of which a malicious intent on the part of the agent was necessary. With the following Article 2622 of the Italian Civil Code, on the other hand, the same behaviour was classified differently if it resulted in damage to creditors or shareholders.

The main reactions to this reform were decidedly negative, especially with regard to the privatization of legal assets and interests protected by the false accounting legislation. In essence, Legislative Decree 61/2002 had generated a weakening of the discipline, both in terms of prevention and in terms of repression of criminal offences.

Therefore, in order to strengthen the tools to combat corporate crimes and corrupt activities, mainly in order to restore the punishment of the crime of false corporate communications, about a decade later, the legislator intervened on the issue with the Law No. 69/2015 of May 27, 2015, containing "*Provisions on crimes against the public administration, mafia-type associations and false accounting*".

Law No. 69/2015 actually replaced the Article 2621 and 2622 of the Italian Civil Code inserting the new Articles 2621-*bis* and 2621-*ter*, distinguishing between false corporate communications in unlisted companies and false corporate communications in listed companies, sanctioning both cases as dangerous offences and therefore punished with imprisonment. The object of protection is corporate information, regardless of the damage to the assets of the shareholders, and the creditors of the company. However, the fact remains that the crime of danger does not exclude that the alterations in the financial statements may also cause damage.

This law has not only tightened the sanctioning regime but has also delimited the scope of application of the new cases to the exposure or omission of "relevant material facts" that do not correspond to the truth, eliminating the engraved "even if subject to evaluation".

The economic and financial crisis of recent years has increased public attention to the phenomenon of alterations in accounting data. Corporate scandals and auditing failures, such as those of Enron, WorldCom, and Tyco, have motivated regulators to address the effectiveness of internal control. Enterprise internal control is an effective control method of supervision and management and risk prevention (Luo, 2017). The authenticity and reliability of accounting information are the basic premise and condition of ensuring accounting information users make the right decisions. Successful companies expand due to effective internal control. On the contrary, the failure of internal control will make the enterprises suffer huge losses, even bankruptcy. For this reason, the Italian legislator intervened in order to combat corrupt practices, and give new impetus to the economy (Law No. 33/2013), expanding the scope of indictment for the crime of false social communications.

This work aims to present the innovations introduced by the latest Italian reform by identifying the new subjective and objective elements with regard to this type of crime, citing some recent rulings of the Supreme Court.

The structure of this paper is as follows. Section 2 reviews the relevant literature on the subject of financial statement policies and fraudulent accounting. Section 3 analyses the methodology that has been used. Section 4, 5, and 6 describe the major innovations with respect to the previous legislation. Section 7 provides the conclusion.

## 2. LITERATURE REVIEW

The majority of historical analyses of fraud have been undertaken in for-profit entities and typically relate to audit failure. Indeed, Agostini and Favero (2017), in their analysis of the fraud promulgated in the US company Sunbeam from 1996–2001, suggest that the auditor may become a scapegoat, despite work highlighting audit failures and the need for auditor independence. Jones (2011) provides a summary of the main tactics fraudsters use.

Most prior research considers the role of fraud in corporate collapse, for example, Carnegie and O'Connell (2014) analyze accounting failure over 110 years and suggest that these corporate collapses

<sup>1</sup> "In the civil sense, we speak of an irregular financial statement when this document fails to guarantee a true and correct representation of the company situation, or when it presents defects or irregularities concerning its formation procedure or its content. This circumstance results in the invalidity of the resolution. The false financial statements and their criminal consequences, on the other hand, are configured only when the objective element of the violation is added to the intentionality on the part of the editor of the financial statements to [...] deceive the shareholders and the public, in order to prosecute for himself or for others an unfair profit" (Quattrocchio & Omega, 2016, p. 233).

are more likely to occur during economic downturns. While governance changes and new regulations attempting to eradicate fraud seem to repeat cyclically, Carnegie and O'Connell (2014) argue that accountants choose how to apply any new standards and, indeed Pontell (2005) notes that they may use company accounts as a 'vehicle for fraud'. To understand these fraudulent individuals, Cooper et al. (2013) call for further contextualization of their actions within the 'moral mazes' in which they work. This call mirrors those to analyze the vital role of accounting and accountants in shaping society (Hopwood, 1976; Walker, 2016) highlighting audit failures and the need for auditor independence.

Administrators often find themselves involved in corporate processes to the extent of having opportunistic behaviours in which discretionary assessment of the financial statements is not used to fuel policies aimed at improving the quality of the data, but bent on the need to manage corporate results so as to maximize business benefits (Watts & Zimmerman, 1990).

Luo (2017) in his work found that in the United States, 70% of the company's bankruptcy is due to a lack of effective internal control.

One of the goals of internal control is to ensure the authenticity and integrity of the accounting information. Therefore, the quality of internal control can play a vital role in improving the quality of accounting information, ensuring the safety of the assets of companies, reducing financial fraud, and improving the ability of risk prevention.

Luo's (2017) article analyzes the situation of accounting information and internal control in China, analyzing the role of internal control in accounting information quality.

Reurink (2018) in his paper describes the different forms of fraudulent behaviour in the context of financial market activities. He made a conceptual distinction between three types of financial fraud: 1) false financial disclosures, 2) financial scams, and 3) financial mis-selling. The findings of the literature review highlight a number of recent developments that scholars think have facilitated the occurrence of financial fraud, including 1) the development of new fundamental conflicts of interest and perverse incentive structures in the financial industry; 2) an influx of unsophisticated, gullible participants in the financial marketplace; 3) the increasing complexity involved in financial market transactions as a result of rapid technological, legal, and financial innovation and an ever-widening menu of financial products; 4) an increase in the use of justified secrecy in the form of a mystification of trading models adopted by fund managers.

Brennan and McGrath (2007) study 14 companies that were subject to an official investigation arising from the publication of fraudulent financial statements. The research found senior management to be responsible for most fraud. Recording false sales was the most common method of financial statement fraud.

Flood (2020) describes how auditors evaluate the effect of identified misstatements and uncorrected misstatements. The auditor must accumulate misstatements identified during the audit and communicate them on a timely basis to the appropriate level of management. The auditor

should ask management to record the adjustments needed to correct all misstatements identified during the audit. The auditor may request that management examine a class of transactions, account balance, or disclosure in order to correct misstatements therein. If the misstatement involves a difference in an estimate, the auditor should ask management to review the assumptions and methods used in developing the estimate. After management has responded to the auditor's request, the auditor should reevaluate the amount of likely misstatement and, if necessary, perform further audit procedures.

Kwok (2017) provides an in-depth practical reference, designed for litigators, investigators, auditors, accountants, and other professionals who need to understand and combat accounting irregularities and uphold the integrity of financial statements. Accounting irregularities are at the heart of those kinds of frauds that hit financial statements and include misstatement, misclassification as well as misrepresentation.

### 3. RESEARCH METHODOLOGY

The methodological research used in this work is descriptive, as it analyzes in detail the new discipline highlighting the differences compared to the old legislation and the novelties of the new one, trying to highlight the various pitfalls that can be hidden in the financial statements.

In essence, an attempt has been made to analyze the reasons that led to the reform of false accounting in Italy, focusing on the various elements of rupture with respect to the past discipline, and highlighting the various innovative elements. To do this, the discipline was analyzed point by point. This can be the starting point for identifying the various frauds that have emerged in the most recent Italian jurisprudential cases.

### 4. FALSE CORPORATE COMMUNICATIONS IN UNLISTED COMPANIES

With reference to false corporate communications of unlisted companies, mitigated hypotheses are envisaged for minor facts (Article 2621-*bis* of the Italian Civil Code) and a specific cause of non-punishment due to particular tenuousness (Article 2621-*ter* of the Italian Civil Code).

Within these companies, a sentence of from one to five years of imprisonment is envisaged for the directors, general managers, managers responsible for preparing corporate accounting documents, statutory auditors, and liquidators, who, in order to obtain for themselves or for others, an unfair profit, in financial statements, reports or other corporate communications directed to shareholders or the public, as required by law, knowingly expose "material facts" that do not correspond to the truth or omit "material facts" whose disclosure is required by the law on the economic, patrimonial or financial situation of the company or group to which it belongs, in a concretely suitable way to mislead others. The same penalty applies even if the falsehoods or omissions concern assets owned or administered by the company on behalf of third parties.

With regard to unlisted companies, Article 2621-*bis* establishes that a reduced penalty is applied (imprisonment from six months to three years) when the facts are “minor”, taking into account the nature and size of the companies and the methods or effects of the conduct. It is interesting to underline the provision of Article 2621-*ter* which refers to the notion of the tenuousness of the fact. This is a cause of non-punishment — provided only for unlisted companies — that the judge is called upon to evaluate mainly in relation to the extent of any damage caused to the company, shareholders, or creditors.

This provision clearly differs from the previous thresholds of punishment, since it involves an actual assessment of responsibility for the suspect. Finally, the tightening of the pecuniary sanctions provided for false corporate communications made in the interest or for the benefit of entities is confirmed.

The case is referred to in Article 2621 of the Italian Civil Code today refers only to “unlisted” companies and provides for the punishment of both the conduct of conscious exposure of material facts that do not correspond to the truth and of omission (equally aware) of material facts whose disclosure is required by law.

The exposure and omission must be inherent in the economic, equity, or financial situation of the company or group to which it belongs, and be concretely capable of misleading others.

Therefore, the unlawful conduct is configured through two possible ways of execution:

- A commissioner, which takes the form of consciously exposing relevant material facts that do not correspond to the reverse, in financial statements, reports, or other corporate communications required by law and addressed to shareholders or the public.
- The other omission, which takes the form of the conscious omission of relevant material facts whose disclosure is required by law having regard to the economic, equity, and/or financial results of the company or group to which the latter belongs.

The offence can be committed not only through the annual, extraordinary, or consolidated financial statements, but also through “other corporate communications”, provided that they are provided for by law and addressed to shareholders or the public.

As for the subjective element, the aim of obtaining an unjust profit for oneself or for others is required, but the intention to deceive the shareholders or the public is less than the previous formulation; at the same time, the reference to the awareness of the exposed falsehoods and omissions is explicitly introduced.

From the reading of Article 2621 of the Italian Civil Code it seems that the legislator wanted to limit the criminal offence only to material facts, understood as objective historical data, excluding from the area of criminal relevance both the assessments (even if the question is much discussed in the legal literature) and the omission of information not imposed by law.

Furthermore, according to the law, material facts that do not correspond to the truth, or are omitted, must be relevant and therefore harmful or

at least capable of misleading others. Therefore, the specific malice represents the subjective element of the criminal offence, placing the conscience and the will to commit the crime at the centre of attention in order to obtain an unfair profit for oneself or for others.

Finally, it is worth mentioning that the new Article 2621 of the Italian Civil Code no longer provides for the non-punishment thresholds previously provided for in the third and fourth paragraphs of the previous text, which excluded punishment if the falsehoods or omissions led to a change in the profit for the year, gross of taxes, not exceeding 5 per cent or a change in shareholders’ equity of no more than 1 per cent; as regards, instead, the estimates, the conduct was punishable only if these valuations, considered individually, differed from the correct one by more than 10 per cent. In this regard, it must be considered that these thresholds, even in the absence of a specific regulatory reference, will continue to be considered for the purpose of assessing the concept of materiality.

*Minor and particularly tenuous facts.* Relevant is the new Article 2621-*bis* of the Italian Civil Code (“Minor facts”) which provides for a lesser penalty when the facts referred to in the previous article are minor (based on the nature and size of the company and the methods or effects of the conduct).

*Not punishable due to particular tenuousness.* The new Article 2621-*ter* entitled “Non-punishable due to particular tenuousness”, according to which “for the purposes of non-punishable due to particular tenuousness of the fact, the judge predominantly assesses the extent of any damage caused to the company, shareholders or creditors consequent to the facts referred to in Articles 2621 and 2621-*bis*”. Therefore, the new regulatory provision requires the judge to consider the extent of any damage caused to the company, shareholders or creditors as a result of the facts referred to in Articles 2621 and 2621-*bis* of the Italian Civil Code.

## 5. FALSE CORPORATE COMMUNICATIONS IN LISTED COMPANIES

The conduct described by Article 2621 of the Italian Civil Code it also differs objectively from that provided for by Article 2622 of the Italian Civil Code dedicated to false corporate communications of listed companies, in which there is no reference to “relevance” in the presentation of material facts that do not correspond to the truth. A lack that suggests greater rigour in the budget formation discipline for these subjects due to the public dimension they cover. The greater rigour is also determined by the high penalty limits — imprisonment from three to eight years — the maximum limit of which, in addition to allowing wiretapping, is one of the highest in the whole European panorama of false accounting charges. In both cases, however, these are crimes of danger and not of damage, in the sense that it is not necessary to demonstrate the actual harm resulting from the conduct carried out.

This offence is always a crime and it is always a crime of danger, punished with imprisonment from three to eight years, without distinctions relating to the damage profiles.

On the “vehicles” of falsehood, on the active subjects and on the subjective element, we can recall what has already been said about unlisted companies. While there are some differences concerning:

- failure to specify that the conduct is expressed in financial statements, reports or other corporate communications, addressed to shareholders or the public, “provided for by law”;
- failure to specify that the expository conduct of material facts that do not correspond to the truth, intervene on “relevant” facts;
- the inapplicability of the minor hypotheses referred to in Article 2621-*bis* of the Italian Civil Code and of non-punishment for particular tenuousness pursuant to Article 2621-*ter* of the Italian Civil Code.

As for the extent of the imprisonment, from three to eight years, it is clear that the greater severity compared to unlisted companies is related to the particular corporate context in which the conduct is carried out.

On the lack of specification — with respect to Article 2621 of the Italian Civil Code — of the fact that the conduct must be carried out on financial statements, reports or other corporate communications, addressed to shareholders or the public, “provided for by law”, it can be said that in listed companies, for example, false statements made by directors during a press conference have criminal relevance.

As for the lack of specification, in Article 2622 of the Italian Civil Code, that the expository conduct of material facts that do not correspond to the truth intervenes on “relevant” facts, it was underlined how this situation suggests a criminal relevance, in this context, even in the face of the exposure of non-compliant facts to the truth of little relevance.

## 6. FALSE EVALUATION

Law No. 69/2015 deleted any reference to false evaluations.

The balance sheet is a true document and never true in an absolute sense since the majority of its items are permeated by evaluations.

The enormous impact of the possible exclusion of the criminal relevance of the assessments follows.

In the previous legislation (Law No. 61/2002), express reference was made to the “exposition of material facts that do not correspond to the truth even if they are subject to evaluations”, involving many reconstructive uncertainties. In particular, it was emphasized that the criminal relevance of the assessments was expressly derived from it. Both those having as their object a non-existent corporate reality, and those having as their object a fact with a “materiality” or an “economic value” different from that exposed by the acting subject, excluding only the purely subjective ones, or those that consisted in predictions, statements of intent, opinions, etc.

The new regulatory reference of Law 69/2015 to only “material facts” would, however, have wanted to put an end to the issues that previously arisen, establishing a barrier that is difficult to cross to the attribution of criminal relevance of any

assessment procedure. But this posed further problems of great importance, almost risking making the new rule inapplicable.

The financial statements are, in fact, a true document and never true in an absolute sense, since the majority of its items are permeated by evaluations. It follows the enormous impact that could derive from the exclusion of the criminal relevance of the latter.

Following the approval of Law 69/2015, jurisprudence has taken very different positions regarding the criminal relevance of budget assessments.

One of the first sentences of the Supreme Court on the subject (Criminal Cassation 33774/2015) established that taking into account the new discipline of the cases of false corporate communications, false valuations in the financial statements are no longer provided for by law as a crime, taking place, for these profiles, a real *abolitio criminis*, with the consequent overturning of the sentences that have already become definitive in the same sense Cass. Pen. 6919/2016.

Another ruling (Criminal Cassation 890/2016) was diametrically opposed, affirming the persistent criminal relevance of the evaluation elements, despite the elimination from the law of the explicit reference to these. In particular, the reference to material facts as possible objects of a false representation of reality does not exclude evaluations from the case in point, the falsity of which instead detects when it derives from the violation of predetermined evaluation criteria or exhibited in social communication. In this case, in fact, these statements are suitable for fulfilling an informative function and can therefore be said to be true or false.

Following this approach, it should be said that the elimination of the term “even if subject to evaluation” from the new case has no decisive significance, leaving unchanged the understanding even of the facts subject to mere evaluation. If “fact” is the information data, and if “material and relevant” are only the data subject to “essential and significant” information capable of influencing users’ options, even the evaluations, if not true, would be able to affect their choices negatively.

It is significant that the reform of the crime in question took place in the context of an anti-corruption regulatory measure. The solution reveals the awareness of the legislator of how false accounting is often related to corruption (through the accounting setting of false invoices aimed at creating black funds intended for the payment of bribes). In this sense, to exclude the evaluative one from the bed of punishable falsehoods would then mean frustrating the aims pursued.

In this situation, therefore, a referral to the United Sections appeared inevitable to guarantee certainty, predictability and equality of treatment. This transfer took place with the order of 4.3.2016 No. 9186 of the Court of Cassation which proposed the following question: if the modification of Article 2621 of the Italian Civil Code, as a result of Article 9 of Law 69/2015, in the part in which, by governing false corporate communications, it did not report the words “even if subject to evaluation”,

whether or not it determined a partially abrogative effect of the case.

The United Sections of the Court of Cassation, in sentence No. 22474/2016, have established that the false valuation in the financial statements, even after the amendments made by Law 69/2015, remains criminal.

In particular, the following legal principle has been affirmed: the crime of false corporate communications exists, with regard to the exposure or omission of facts subject to “evaluation”, if, in the presence of evaluation criteria established by law or technical criteria generally accepted, we consciously depart from them, without giving adequate supporting information and in a concretely suitable way to mislead the recipients of the communications.

The aforementioned ruling of the United Sections also focuses attention on the importance that the Explanatory Note can assume, with regard to the falsity or otherwise of the financial statements. In fact, it is stated that those who draw up the financial statements are allowed a margin of discretion, for example, by not considering irrelevant data or exceptionally departing from the criteria, provided the reasons are clarified in this note.

This is a technical discretion, in which all the evaluator’s activity must be conducted. Therefore, only the evaluative statement that contradicts undisputed criteria and/or is based on premises containing false attestations can be said to be false. According to the criteria contained in Articles 2423 and following the Civil Code, are added those imposed by European directives, or those resulting from doctrinal elaboration and made official by standard setters (Italian Standards (OIC) or International Accounting Standards Board (IASB)).

In particular, the principle of law that is drawn from this approach is that the crime of false corporate communications exists only in the event that the agent deviates from the regulatory and technical criteria without giving adequate justification, in a way that is concretely capable of misleading the recipients of the communications.

## 7. CONCLUSION

With the development of economic globalization and increasing market competition, accelerating the development of enterprises is an important task. In order to meet the needs of the development of a market economy, real and reliable accounting information is crucial. Quality accounting information plays an important role in the internal corporate governance structure, which enables the board of directors to make a correct judgment on the company’s operating performance.

At the conclusion of the work carried out, it is highlighted how the recent reform has accepted the requests for change formulated by an authoritative part of the doctrine, also taking into account the provisions on the subject in the European countries of reference.

The reform of false accounting has made an effort to give more typicality to this case, so as to guarantee respect for the principle of legality which, in this matter, has not always been observed.

All national and international accounting standards have always reaffirmed that in order to express an opinion on the significance of an error or manipulation it is necessary to consider the nature of the item, the absolute amount of the falsehoods and the circumstances which led to the alteration of the information, in the awareness that there are many qualitative elements that can make small amounts of falsehood relevant.

Economic doctrine agrees that a manipulation, alteration or omission is significant when it can influence the economic decisions taken on the basis of the financial statements.

It is obvious that errors and anomalies must not in any way alter the overall picture that the financial statements outline of the equity, financial and economic situation of the company; and they do not distort it only if it is objectively demonstrable that — if the errors had not been committed — the financial statements would have provided the same overall picture or, if one prefers, the financial statements would have said nothing more, nothing less, nothing different from what it says (despite the error).

It should be remembered that there may be falsehoods and omissions likely to lead to errors which significantly and significantly alter the representation in the financial statements of the company’s financial situation, but do not determine any change in the economic result or shareholders’ equity.

However, the choice of the legislator appears acceptable, especially in complex and basically technocratic systems such as large companies. If, in fact, it is indisputable that the preparation of the draft financial statements will continue to be a typical act of the board of directors, it still seems realistic — as well as appropriate, from a preventive point of view — to take note of how the amount of many budget items are already predetermined, in a very technical way, by the administrative offices, when the draft budget arrives on the administrator’s desk. Thus, if it seems probable that not all directors may be aware of financial statement manipulations, it is equally true that financial statement manipulation can hardly occur without technical support or, at least, the awareness of the accounting managers.

Law 69/2015 has profoundly changed the discipline of the crime of false corporate communications, introducing new Articles 2621-*bis* and 2621-*ter* of the Italian Civil Code, which distinguish between false corporate communications in unlisted companies (Article 2621 of the Italian Civil Code) and false corporate communications in listed companies (Article 2622 of the Italian Civil Code), sanctioning both cases as crime.

In practice, we move from a differentiation based on the existence or not of damage to the company, shareholders or creditors, to one based on the corporate context in which false corporate communications are carried out.

The protected legal asset should now be represented by the transparency, completeness and correctness of corporate information.

Furthermore, the exposure and omission must be inherent in the economic, patrimonial or financial situation of the company or group to which it

belongs, and be concretely capable of misleading to stakeholders and readers of financial statements.

Compared to the previous case of false corporate communications in non-listed companies, it is necessary to highlight the disappearance of the punishment thresholds; the elimination of the reference to the omission of "information", replaced by that of the omission of "material facts"; the specification that the conduct must be "concretely" capable of misleading others; the elimination of the sentence that placed the material facts "even if subject to evaluation" in the criminal sphere.

It is well understood that high-quality accounting information reduces the degree

of information asymmetry, enhances the liquidity of the capital market, reduces the company's cost of equity and contributes to the improvement of the company's performance.

The paper is useful for senior management and fraud examiners in highlighting the areas most susceptible to fraud and the type of approach that can be taken to investigate cases of misconduct.

The limits of this paper can be traced back to the methodology used, which is only descriptive. Future research could be developed by carrying out a quantitative analysis by verifying how many frauds have emerged thanks to the new legal framework and what types of tools the controller has to detect fraud.

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