ACCOUNTING ETHICS AND PROFESSIONAL PRACTICE

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ABSTRACT

Accountancy is a unique profession guided by ethics that were intended to protect public interest and the investing community. The collapse of corporate organizations witnessed in the late 1990s and early 2000 left everyone imagining the place of accountants' integrity and objectivity in financial reporting and professional practice. A thorough review of literatures provided evidence that most corporate failures came under the watch of accountants and auditors, hence this study tries to highlight the core reasons for accounting ethics lapses and suggested solutions to curb the menace. The recommendations among others is that there should be an in-built organizational and professional ethics in firms which should be monitored at every stage. Where there are lapses, whistle blowing should be encouraged and rewarded.

Keywords: Accounting, Ethics, professional practice, integrity, objectivity.

INTRODUCTION

According to Osisioma (2000), accountancy is a focal profession. In periods of economic boom, it is required to help manage wealth and excesses; during recession, it is needed to achieve a prudent and optimal allocation of scare resources; and in times of stability, it is needed to keep the economic ship of a nation at equilibrium. Out of all the known professions in the world, accounting profession is the most mobile in nature as accountants seem to be unavoidable in almost all facets of human activities. While most of the other professionals are restricted to their areas of operations such as the Medical Doctor whose practice is within the confines of a hospital, the Lawyer is in the Chamber or Court, the Engineer is in the factory or workshop, however the Accountant is everywhere. This is why we have hospital accountant, factory accountant, and government accountants among others. Accountants and the accountancy profession exist as a means of public service; the factor which distinguishes a profession from a mere means of livelihood is that the profession is answerable to the public and upholds the ethics of the profession in protecting public interest which is beyond the compensation paid by clients (Love, 2008).

Accounting ethics is mainly moral values, principle of fairness and integrity put in practice both in business and all human activities as they apply to accountancy. It is part of professional ethics, which could be found in other professions. Accounting was introduced by Luca Pacioli, and later expanded by government groups, professional organizations, and independent companies. Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the accounting profession (Berverly, Cooper, Leung & Dellaportas, 2007). These collapses have resulted in a widespread disregard for the reputation of the accounting profession (Dellaportas, 2006).

The collapse of world famous companies such as Waste Management in 1998, Enron in 2001, Worldcom in 2002, Tyco in 2002, Healthsouth in 2003, Freddie Mac in 2003, American International Group in 2005, Lehman Brothers in 2008, Bernie Madoff in 2008 and Satyam in 2009 gave rise to a total loss of confidence to financial reporting integrity. The objectivity of accountancy profession practice was questioned since all these corporate failures occurred under the watch of accountants and auditors (both internal and external). To restore public confidence, combat the criticism and prevent fraudulent accounting, various accounting organizations and governments have developed regulations and remedies for improved ethics among the accounting profession, as well as introduction of corporate governance structure in organizations.

Corrupt practices that dent the integrity of an accountant

According to United States Agency for International Development (USAID, 2005), transactions that are considered corrupt in some societies may be considered normal in others, depending on local traditions and values. However, USAID (2005) identified the following types of behavior are corrupt in most countries:

a. Bribery. In many languages, the word for corruption is synonymous with bribery. Bribery is the core concept for corruption. It is an informal payments or gifts to provide services or receive favour. Monetary gratification allows management to offer money or gift items to financial reporters/auditors in order to have a favourable financial report (Oseni, 2011).
b. Extortion. This is the use of force or intimidation to extort money or other valuables from individuals or companies. This is common among accountants involved in tax or revenue collection for the government.
c. Misappropriation. This is a form of theft or use of public funds or equipment for private purposes.
d. Sales of employment to employees. Accountants in public practice render recruitment and management services to organizations they work for most times. In the process, applicants who did not do well in their interview always pay some amount of money to some officers who use employment process for making money (Oseni, 2011).
e. Window dressing. Cosmeting accounting is one system of financial statement preparation that tarnish the image of accountants. The Chief Financial Officer of a publicly traded corporation may prepare financial statements to appear as though the

company is performing much better than it actually is, because he or she wants their stock portfolio to increase (Oseni, 2011). This is what led to the collapse of Eron, USA.

f. Others are self-dealing, patronage, shirking and campaign for finance improprieties.

THE RELEVANCE OF ACCOUNTING ETHICS

The type of responsibilities undertaken by accountants and auditors necessitates a high level of ethics. All accounting information users such as the investing community, shareholders, potential investors, lenders among others rely heavily on the yearly financial statements of a company as they can use this information to make an informed decision about investment (Alexander & Britton, 2004). They rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the company (Dietz, 2002). The thorough understanding of accounting ethics enables accountants and auditors to overcome ethical problems, helping them to make the right choice which may not benefit the company, but will benefit the public who relies on the accountant/auditor's reports for investment decisions (Duska & Duska, 2003).

STATUTES GOVERNING ACCOUNTING ETHICS

Most countries have divergent ways of imposing accounting laws. In Germany, accounting legislation is governed by "tax law"; in Sweden, by "accounting law"; and in the United Kingdom, by the "company law". In addition, countries have their own organizations which regulate accounting. For example, Sweden has the Bokföringsnämden (BFN - Accounting Standards Board), Spain the Instituto de Comtabilidad y Auditoria de Cuentas (ICAC), and the United States the Financial Accounting Standards Board (FASB) (Gowthorpe & Blake, 1998). In addition to the provisions of Company and Allied Matters Act 1999, the Financial Reporting Council of Nigeria Act, 2011 governs the preparation of financial statement of public entities in Nigeria. This Act repeals the Nigerian Accounting Standards Board Act, No.23 of 2003.

ICAN Professional Code of Conduct and guide for members (2009) helps to check members in public practice. ANAN also has code of conduct for members. The International Federation of Accountants—IFAC (2006) acknowledged the following ethical principles of the accounting profession—independence, integrity, objectivity, technical know-how, due care and diligence, confidentiality, adequate professional conduct, faithfulness, technical standards and public interest. Others include guidelines on professional fee, resolving conflict of interest, professional engagement, accounting and taxation services, to responsibilities to other members and non-members among others.

REASONS FOR ETHICAL LAPSES IN THE ACCOUNTING PROFESSION

The unethical behaviour threatening accounting profession as identified by Oseni, 2011; Xaxx (2018) include the following:

Greed: An accountant may embezzle funds from his or her employer for financial gain or self-interest. At the root of a complex matter is a very simple fact: Some people enjoy having lots of money and will break the law to get it. Accounting, whether it is on an individual basis or within the context of a multinational corporation, offers the opportunity to "cook the books" and take a little or a lot more for yourself without actually pointing a gun or breaking into someone's house. The white-collar nature of accounting crimes make them very tempting because nobody seems to be getting hurt. The presence of large amounts of money activates the greed inherent in some individuals.

Conflict of interest: An accountant working in a company where there is conflict of interest. If the accountant is owed money or has a significant stake in a firm, he or she may not be the ideal individual to prepare certain companies' financial statements.

Opportunity: The saying that "opportunity makes the thief" is applicable to crooked accountants. People who would never seek out a crime to commit under normal conditions may succumb to temptation when an opportunity is offered. Accounting sometimes involves dealing with very large amounts of money, some of which can be easily hidden, siphoned off or removed with little chance of detection. When presented with this level of temptation, some people succumb, particularly if they perceive themselves to be in a situation of financial need.

Disconnection: Perceptions of reality are determined by daily surroundings. When working within the confines of a large company, a person can become wrapped up within the corporate culture of that company and lose sight of how the rest of the world is functioning. A sense of hubris and entitlement can develop in the presence of $100 lunches and $1 million houses. When part of this culture involves accounting irregularities for the benefit of the business or the individual, this can come to seem normal to someone who loses touch with how things work outside the company.

Short-cuts: The failure for an accountant to conduct an in-depth analysis when preparing and revising financial information. There are many individuals who prefer to take short-cuts in life; and frankly, this simply is not acceptable when expected to perform in a professional manor.

Ignorance: While ignorance is no excuse for committing unethical or illegal actions, it may play a role in accounting crimes. Everyone knows that you can't walk into a bank with a gun and steal the money without breaking the law, but accounting regulations aren't nearly this simple. Tax law, regulations about insider trading and similar arcane rule books are easily misunderstood, and inexperienced accountants or businesspeople may engage in unethical behavior without even being aware of it. Of course, when someone is caught and charged, he may make this claim of ignorance when it isn't actually true.

Fear of losing a job: An accountant may feel pressured from his or her client to report false information or may be a Chief financial officer is experiencing demand for improvements from the board of directors, the company's president, owners, or stockholders; or he or she may be in fear of losing his job.

Poor storage of financial records: Financial records are not properly kept in the organization there by causing inadequate financial report.

Unqualified accounting staff members: Inadequate employment of qualified accounting staff to handle financial records.

CONCLUSIONS

In conclusion, even though ethical problems in accounting profession continue to greatly concern society, organizations, and individuals, the potential impact that organizational culture can have on ethical behaviour has not really been explored. The challenge of ethical behaviour must be met by organizations if they are truly concerned about survival and competitiveness. What is needed in today's complicated times is for more organizations to step forward and operate with strong, positive, and ethical cultures. Organizations have to ensure that their employees know how to deal with ethical issues in their everyday work lives.

RECOMMENDATIONS

Based on the foregoing the following recommendations that will encourage ethical behaviour by professional accountants are made:

- There should be in built organizational and professional ethics in firms which should be monitored at every stage. Where there are lapses, whistle blowing should be encouraged and rewarded.
- Choice of auditors and accountants for professional services should be based on integrity of individuals and firms involved.
- Employment of qualified accountants with technical competence should be promoted to avoid cooking of accounts that will eventually lead to window dressing of organizations financial statements.
- Organizations should have core values and set actual corporate objectives regarding employment relationships. Do not promise what the organization cannot actualize.
- Corporate governance structure of the organization must be made of people with integrity.
- Encourage input throughout the organization regarding appropriate values and practices for implementing the cultures. Choose values that represent the views of employees at all levels of the organization.
- Do not automatically opt for a "strong" culture. Explore methods to provide for diversity and dissent, such as grievance or complaint mechanisms or other internal review procedures.
- Insure that a whistle-blowing and/or ethical concerns procedure is established for internal problem solving (Harrington, 1991).
- Provide ethics training programs for all employees. These programs should explain the underlying ethical and legal (Drake and Drake, 1988) principles and present practical aspects of carrying our procedural guidelines.
- Integrate ethical decision-making into the performance appraisal process.

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