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Ethics of Accounting Profession in Nigeria

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Abstract: This study investigated ethics of accounting profession in Nigeria with a view to determine the degree of its adoption in professional practice and also to identify factors influencing its adoption by professional accountants in Nigeria. For this purpose, certain hypothetical claims were made, which were supported by a critical review of related literature. The population for the study consisted of one hundred and twenty-five (125) independent auditors and management accountants drawn from various accounting/auditing firms and business organizations in Port Harcourt, the Rivers State capital. Data, which were collected from respondents via the administration of a questionnaire were analyzed with frequency and percentages while the stated hypotheses were statistically tested with the Chi-square (X^2) test and Spearman's Rank correlation co-efficient. The findings from this study revealed a low adoption of accounting ethics in professional practice in Nigeria and the factors responsible for such include greediness and self-interest, pressures from employers and clients, price of ethical behavior, poor societal values, lack of complete information, lack of clearly defined ethical conduct, lack of competence in complex environment, effect of cultural change, self-protection activities, and self-deception and rationalization. Among these various factors, greediness and self-interest is the most prevalent while lack of clearly defined ethical conduct is the least influencing factor. Based on the above, it was recommended that strong enforcement mechanism such as a council to regulate the activities of professional accountants should be established and any professional accountant indulging in unethical practices should be denied of membership and the practicing license should be withdrawn. More so, there is need for total overhauling of our societal values.

Key words: ethics; accounting profession; societal values; adoption; professional accountants
JEL codes: M

1. Introduction

The accounting profession plays an important role in the society. Investors, creditors, employers, and other sectors of the business community, as well as the government and the general public rely largely on the accounting profession for sound financial accounting and reporting, effective management of financial resources and business and taxation advisory services. According to Osisioma (1988), accountancy is a pivotal profession. In times of prosperity, it is needed to help manage abundance and plenty; in times of adversity, it is needed to achieve a frugal and optimal allocation of scare resources; and in times of stability, it is needed to keep the economic ship of the

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state on an even keel. Accounting is a profession that rests squarely on the need to exhibit a high sense of accountability and stewardship. It has a vested interest in promoting its public image, and can only remain in this advantageous position by continuing to provide the public with these unique services at a level which demonstrates that the public confidence in firmly founded. For this reason, every member of the profession is expected to conduct himself in a manner consistent with his responsibilities to his client, other members of the profession, and the public at large. Those moral rules that guide the behavior of the accountant in discharging his responsibilities are called accounting professional ethics. According to Smith (1999), professional ethics held the professional to higher standard of conduct than do the laws regulating that profession. This implies that although the accounting profession is regulated by accounting principles, ethical standards are of paramount importance. Nwagboso (2008) claimed that accounting professional ethics helps the accountant to determine the propriety of his conduct in his professional relationship, it indicates the kind of professional posture the accountant must maintain if he succeeds; it gives clients a feeling of confident that the accountant desires to serve them well by placing service above financial reward; it enables member bodies and regulatory authorities to fulfill their responsibility by ensuring that the professional accountant has the skills and competence expected of him by employers, client and the public; and it ensures that public interest is protected and the credibility of the profession is enhanced.

There are several ethics developed for the accounting profession. The International Federation of Accountants—IFAC (2006) identified the following ethical principles of the accounting profession—integrity, objectivity, professional competence and due care, confidentiality, professional independence, professional behaviour fidelity, 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 etc. Nigam (2008) posited that the behavior of professional accountant in providing the necessary accounting, auditing and taxation services impacts on the economic well-being of the country. The accounting professional ethics are meant to uphold the accountants to a higher standard of conduct. In Nigeria, cases of inflated contract in public parastatals, falsification of financial records, embezzlement, fraud, bank distress, etc clearly indicate a violation of ethical standards in corporate financial reporting and auditing. We cannot conclude the above discussion by mere rule of the thumb, hence the need for empirical evidence to:

(1) Investigate the degree of adoption of accounting ethics by professional accountants in Nigeria.

(2) Examine the factors influencing the adoption of accounting ethics by professional accountants in Nigeria.

To achieve the above objectives, the following hypotheses were raised.

H_{o1}: There is a low degree of adoption of accounting ethics by professional accountants in Nigeria.

H_{o2}: There is no significant relationship in the opinions of the respondents on factors influencing the adoption of accounting ethics by professional accountants in Nigeria.

2. Literature Review

According to Nwagboso (2008), ethics is concerned with norms, principles or conducts of behavior and practices carried out by a group of people, community or profession. A profession is a calling or a job that needs special education and training. It is an obligation to act in a way to serve the interest of the public. This is what makes a profession different from a vocation. For example, a motor mechanic who encounters a break-down vehicle on the high way has no ethical obligation to fix the vehicle. But a medical doctor that encounters an accident victim who is unconscious and badly in need of immediate medical attention has an ethical obligation to stop and render medical care to the victim. A professional accountant is expected to act in the best interest of the public, hence the need for accounting professional ethics. Camerer (1996) posited that professional ethics sets out the ideas and responsibility of the profession, provides guidelines on acceptable conduct, improves the profile of the profession, protects both clients and the professionals, improves quality and consistency, and motivates and inspire the professionals.

A review of existing literature such as Akenbor and Onuoha (2013), IFAC (2006), Robert (2005), Obadan (2001), and Herbert (2001), revealed that the accounting professional ethics centred on independence, integrity, objectivity, competence, fairness, confidentiality, fidelity, responsibilities to other members, etc. Independence refers to the degree of freedom with which the professional accountant (auditor) is allowed or able to examine the client’s records and express an opinion on the said records without any undue influence from any party connected with the organization. Madsen and Safritzi (1999) asserted that if the auditor’s report is to lend credibility to financial statements, users of the accounting information must perceive the auditor as being fair and impartial. In Nigeria, the companies and Allied Matters Act of 1990, in a bid to promote the independence of the auditor, stipulates that any person who is a partner, or in the employment of an officer or a servant of the firm cannot serve as its auditor.

Professional accountants must not knowingly misrepresent facts. Williams (2005) stated that facts may be represented even if the facts themselves are correctly reported: For example, facts may be represented if the accounting document does not contain adequate information necessary for the proper interpretation of those facts. This means that professional accountant must uphold the integrity and objectivity of the profession. They must remain steadfast and report issues with uncompromising adherence to a code of moral value. To help maintain integrity and objectivity, it has been suggested that professional accountants should avoid receiving gifts and undue hospitality from their clients. However, a professional accountant must be fair, honest and transparent to his clients whose interests he must endeavour to protect and serve to the best of his professional ability.

A professional accountant must be technically competent and qualified. He must be thoroughly grounded in all matters concerning accounting and auditing principles and standards. He must possess a level of competence necessary to perform the services and his knowledge, skills and experience will be applied in the performance of his duties. Since the professional accountant is empowered to obtain all necessary information for the purpose of rendering accounting, taxation and auditing services, he is therefore expected to respect to confidentiality of such information acquired without any undue disclosure unless there is a legal requirement or professional duty or right to disclose such (Nwagboso, 2008).

Professional accountants in employment own certain legal duties to their employers. Indeed, they have a duty of fidelity which requires them to be fully committed to furthering the legitimate interest of their employer. Aquack and Lipe (2010) stated that while the duty of fidelity continues throughout the period of working for an organization, it also applies when members wish to change employment. This duty prevents an employee from using the skills acquired while working for a former employer in undertaking a new role with a different organization. More so, a professional accountant is expected to conduct himself in a manner that promotes good relationship with other professional members. He must avoid undue publicity and advertisement, accord co-operation to incoming auditors, and seek arbitration with relevant institute when he feels that a colleague has treated him unfairly (Camerer, 1996).

It is no news to say that the entire globe is witnessing serious erosion in ethical values. Even more honest persons as Pastors, Imams, and other religious faithful, may find it difficult to act in an ethical manner in some situations. Professional accountants face some challenges that make them behave unethically. Nwagboso (2008) claimed that the society's propensity for materialism is the root cause of unethical conducts in public sector and financial institutions in Nigeria. A review of literature suggested the following reasons for unethical behavior of professional accountants.

Greediness and Self-interest—Most professional accountants believe that the position of an accountant is the position of wealth. In order to achieve their selfish interest, they abuse their professional code of ethics, particularly when they have the opportunity to exercise professional judgment (Frenchman, 1998). Anyone familiar with the perennial distress in the Nigerian banking industry knows that one main cause is the questionable and often illegal wheeling and dealing not to mention outright fraud of many professional accountants who shamelessly compromised the once "sacred" ethics to their profession. What can be said of banks, which were issued a clean bill of health by professional accountants only to sink into distress and bankruptcy within a twinkle of an eye? Was it possible that there were no signs of failure visible to the accountant? What about the case revealed by Prof. Charles Soludo the former Governor of the Central Bank of Nigeria, that the financial statements of most banks were misrepresentation of facts? Could it be that the accountants do not know the right thing to do? Far from it? Yet another problem is the accountant's involvement or ever increasing propensity to turn up on the all sides of client's activities. Some professional accountants not only audit their client's books, but also help in preparing such accounts and have also turned up in different advisory capabilities. These will not only jeopardize the secured independence quality, but will also aggravate the already existing crises of confidence in the one revered noble profession of accounting (Nigam, 2008).

Pressures from Employers/Clients—The objective of any business is the maximization of profit in order to increase the company's share price. But increase competition in the business world has eroded the company's objective. The pressure to succeed therefore and remain at the top is responsible for the changes in contemporary business practices whereby standards of behavior expected from professionals are being abused (Aquaok & Life, 2010). This has caused chief executive of companies to pressurize professional accountants to manipulate accounting data through rule bending and loophole seeking to paint a rosy picture of sinking organizations (window dressing. Since the management accountant earns his income from the company (the employer), he has no choice other than to abuse the ethical concepts of his noble profession. In the same vein, because the auditor earns his fees from his client, and may want to keep and maintain his client, he equally yield to his client's request. Is this the right thing to do? The professional code of conduct stipulates that the professional accountant should resign his appointment or engagement when faced with such ethical dilemma. Donaldson (1996) identified pressure from employers and clients as the most prevalent factor influencing the adoption of accounting ethics by professional accountants.

The Price of Ethical Behaviour—One may think that professional accountants will do the right thing, regardless of the amount of personal sacrifice involved. But this is easier said than done. Freenchman (1998) suggested that in exhibiting ethical behavior, professional accountants often come into conflict with their clients and or employers. This is because what the client or employer wants the accountant to do may be against his professional code of conduct. Knowing fully that resignation is the price that goes with his conflict of ethical conduct with his client and employer, the accountant has no choice than to abuse ethical concepts and remain on his job. Professional accountants in Nigeria are scared of losing their present jobs because of ethical conduct since they are not too sure of getting any new job elsewhere. But in developed countries where the rate of unemployment is very low, a professional accountant can resign from an employment or engagement that conflict with his professional code of conduct, and have a new job or engagement in a short while. The price of losing his job makes professional accountants in developing countries to exhibit unethical behavior.

Poor Societal Values—Every professional accountant comes from a particular society with diverse norms and standards. Cheng (2012) opined that the kind of societal values acquired by the accountant at early childhood have more influence on him than the professional code of conduct. Therefore, professional accountants allow their society values (good or bad) to interfere with their professional judgment in financial reporting.

For example, the 1999 a study conducted by Aliyu Mamud on "Career Choice" in the central district of Kano revealed that parents prefer their wards to study accounting because they believe that accountants are wealthy individuals. With this societal value built on the child, as he becomes a professional accountant he is bound to violate the accounting ethics so as to become wealthy.

Lack of Complete Information—A professional accountant may suspect that activities in which he or she is asked to participate are unethical, but had no complete information of the transactions. For example a chief accountant in a multinational oil company in Port Harcourt was asked to process the paper works to reimburse the manager of international operations for a $64,000 "communication expenditure" claimed in the manager expense account. The accountant considers it improbable that the manager actually spent $64,000 in personal funds for the company. More likely the accountant thinks the funds were paid as a bride to some foreign agencies. However, the accountant has no facts concerning the expenditure, other than the top management wants the international operations' manager reimbursed. In most situations, accountants have neither the responsibility nor the right to investigate their employers or clients. If a further investigation of the facts is not directly related to the accountant's professional responsibilities, the accountant simply may never have enough information to reach an informal decision as to whether or not specific activities are "ethical" (Frenchman, 1998).

Lack of Clearly Defined Ethical Conduct—No code of ethics can address every situation that might arise. Every "ethical dilemma" borders upon the unique, having its own facts and circumstances (Robert, 2005). In many situations, however the ethical course of action is not readily apparent. Assume that a professional accountant is auditing the financial statements of a company. During this audit, the company was acquired by another company. The chief executive of the acquired company, is a brother to the accountant (auditors). Has the accountant's independence been impaired with respect to the company's audit? Must the auditor resign from the engagement? This case is intended to show that ethical dilemmas do not always have clear-cut answers. This case hinges upon personal judgment, including the closeness of the relationship "between the accountant and the chief executive (brother)" and what impairs the "appearance" of independence. Thus, even with all the facts in hand, experts are likely to disagree on the answer to this case.

Codes of ethics, including the "official interpretations" typically do not address such specific questions. Therefore, it's often not possible to simply "lookup" the solution to an ethical problem. In deciding when an ethical problem exists, and in determing what constitutes ethical behavior, the practioner must often rely primarily upon his or her own professional judgment (Cheng, 2012).

In assessing the payoff of unethical behaviours of professional accountants, Robin (1989) affirmed that there are no concrete and conclusive proofs that companies where accountants exhibit ethical behaviours are more profitable. However Solomon (2002 reported that in the long-run ethical conduct has a positive effect on profitability, even though in certain circumstances, particularly in the shore-run, unethical practice yield greater profits.

3. Methodology

In order to generate the necessary data for this study, the survey method of research design was adopted. One hundred and twenty-five (125) professional accountants in Port Harcourt comprising 88 independent auditors and 37 management accountants formed the population of this study. A questionnaire designed in 5-point Likert scale was administered on the respondents to elicit the necessary information.

The data generated for this study was analyzed with frequency distribution and percentages while the stated hypotheses were statistically tested with Chi-square (X^2) tested and Spearman's rank correlation co-efficient for hypothesis 1 and 2 respectively.

4. Analysis and Result

This section focused on the analysis of data generated for this study. Although a total of 125 copies of questionnaire were administered, 6 copies of the questionnaire administered on the management accountant were not retrievable. This analysis is therefore based on 119 responses, which represents 95.2% response rate.

In the first instance, the respondents were asked to indicate the degree of adoption of accounting ethics in professional practice, and the result obtained is presented in the table below.

Table 1 Degree of Adoption of Accounting Ethics by Professional Accountants

	Respondents			
Variables	Independent auditors	Management accountants	Total	Percentages
Very high degree	15	6	21	17.65%
High degree	18	7	25	21.01%
Low degree	20	7	27	22.69%
Very low degree	21	8	29	24.37%
Undecided	14	3	17	14.29%
Total	88	31	119	100%

Sources: Fieldwork, 2013.

The data presented in the table 1 revealed that 21 (17.65%) of the respondents indicated a very high degree of adoption of accounting ethics; 25 (21.01%) asserted a high degree; 27 (22.69%) affirmed a low degree; 29 (24.37%) suggested a very low degree; while 17 (14.29%) were undecided. This implies that there is a low degree of adoption of accounting ethics by professional accountants in Nigeria.

In the second instance, the respondents were asked to indicate factors influencing the adoption of accounting ethics, and the result obtained is presented in the Table 2 below.

The Table 2 shows that 22 (18.49%) of the respondents identified greediness and self-interest as a factor influencing the adoption of accounting ethics in professional practice; 19 (15.97%) stated pressures from employers and clients; 9 (7.56%) indicated the prince of ethical behaviours; 19 (15.97%) asserted poor societal values, 12 (10.08%) suggested lack of complete information; 4 (3.36%) revealed lack of clearly defined ethical conduct; 11 (9.24%) stated lack of competence in complex environment; 8 (6.72%) identified effect of cultural change; 6 (5.04%) stated self-protection activities; and 9 (7.56%) are of the opinion that self-deception and rationalization is a factor influencing the adoption of accounting ethics in professional practice. This implies that greediness and self-interest is the most prevalent factor while lack of clearly defined ethical conduct is the least factor influencing the adoption of accounting ethics by professional accountants.

Table 2 Factors Influencing the Adoption of Accounting Ethics by Professional Accountants

Variables	Respondents				
	Independent auditors	Management accounting	Total	Percentage	Remarks
Greediness and self-interest	15	7	22	18.49%	1st
Pressures from employers/clients	14	5	19	15.97%	2nd
Price of ethical behaviour	5	4	9	7.56%	5th
Poor societal values	15	4	19	15.97%	2nd
Lack of complex information	9	3	12	10.08%	3rd
Lack of clearly defined ethical conduct	3	1	4	3.36%	8th
Lack of competence in complex environment	8	3	11	9.24%	4th
Effect of cultural change	7	1	8	6.72%	6th
Self-protection activities	5	1	6	5.04%	7th
Self deception and rationalization	7	2	9	7.56%	5th
Total	88	31	119	100	

Source: Fieldwork (2013).

In testing the first hypothesis in this study, data presented in Table 1 above were used, and the result obtained is presented in the Table 3 below.

Table 3 Chi-square Computation for Test of Hypothesis I

Of	Ef	(of-ef)	$(of\text{-}ef)^2$	$(of\text{-}ef)^2/ef$
15	15.5	-0.5	0.25	0.02
18	18.5	-0.5	0.25	0.01
20	30.0	0	0	0.00
21	21.4	-0.4	0.16	0.01
14	12.6	1.4	1.96	0.16
6	5.5	0.5	0.25	0.04
7	6.5	0.5	0.25	0.04
7	7.0	0	0	0.00
8	7.6	0.4	0.16	0.02
3	4.4	-1.4	1.96	0.4
				0.75

Source: Researcher's Computation

Where the level of significance (α) = 0.05 and degree of freedom (v) = 5-1 = 4, the table value of X^2 = 2.76, whereas X^2 computed = 0.75. Since the table value of Chi-square (2.76) is greater than the computed value (0.75), Ho is accepted. This implies that there is a low degree of adoption of accounting ethics by professional accountants in Nigeria.

In testing the second hypothesis, percentage scores of the various factors influencing the adoption of accounting ethics as indicated by the two populations of respondents were used, and the result obtained is presented in the Table 4 below.

Table 4 Relationship between the Opinions of Respondents on Factors Influencing the Adoption of Accounting Ethics

Correlation	X^1	X^2
Spearman's rho X_1 correlation coefficient	1.000	0.748
Sig (2-tailed)		0.013
N	10	10
X_2 correlation coefficient	0.748	1
Sig. (2-tailed)	0.013	
N	10	10

Source: SPSS Version 17 Window Output.

The data presented in the table above, revealed a correlation co-efficient of 0.748, which is close to 1.00 from the positive side. This indicates a high relationship. Since the value (0.013) is less than $\alpha(0.05)$, it suggests a significant relationship. Therefore, the null hypothesis is rejected. This implies that, there is a significant relationship between the opinions of the respondents on factors influencing the adoption of accounting ethics.

5. Conclusion and Recommendations

Accounting is a noble profession that requires high level of professionalism. As a result, members of the profession are expected to exhibit certain behaviours that are consistent with their responsibilities to their clients/employers, other members of the profession, and above all the general public. This can be achieved by upholding to the moral principles that ensure the protection of the public and credibility of the profession. In spite of the above the result of this study however shows that there is a low degree of adoption of accounting ethics by professional accountants in Nigeria. This study revealed several reasons for the low degree of adoption, which include greediness and self-interest, pressures from employers/clients, price of ethical behavior, poor societal values, lack of complete information, lack of clearly defined ethical conduct, lack of competence in complex environment, effect of cultural change, self-protection activities, and self- deception and rationalization. The most prevalent of these factors is greediness and self- interest of the accountant while the least factor is lack of clearly defined ethical conduct.

Based on the above, it was recommended that strong enforcement mechanism such as a council to regulate the activities of professional accountants should be established and any professional accountant indulging in unethical practices should be denied of membership and the practicing license should be withdrawn. More so, there is need for total overhauling of our societal values.

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