ETHICS AND INTEGRITY IN ACCOUNTING PROFESSION

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Abstract

Ethics and integrity in accountancy profession is the discuss of this paper. The paper tries to look at the Ethics of the profession and how it is being adhered to. The professional bodies had some requirements for their members, such as those working outside the areas associated with the specific profession—must maintain a high standard of conduct. In conformity with ethical standard of integrity a professional should not knowingly mislead or misrepresent facts to others and should use due care to avoid doing so unintentionally. The independence and objectivity of the ethics of the profession is looked at. Also, the confidentiality and the integrity. Recommendations were made to look into the things which mare the integrity of the profession such as: Do not accept jobs which you do not have skills or capacity to execute should try to have the full knowledge of the customer so as to meet their needs, should not receive gifts any how and that a committee should be set up to look into the appointment and remuneration of the professional accountant.

Introduction

Concept of Ethics and Morality

According to Anyafo, Ethics deals with such questions as: How should we live? Shall we aim at happiness or the creation of beautiful objects? If we choose happiness, will it be our own or the happiness of all? And what of the more particular questions that face us: Is it right to be dishonest in a good cause. Can we justify living in opulence while elsewhere in the world people are starving? If conscripted to fight in a way we do not support, should we disobey the law? What are our obligations to the other creatures with which we share this planet and to the generations of humans who will come after us?

The subject of ethics consists of the fundamental issues of practical decision making and its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong. The terms, ethics and morality, are closely related. We now often refer to ethical judgements or ethical principles where it once would have been more common to speak of moral judgments or moral principles. These applications are an extension of the meaning of ethics. Strictly speaking, however, the term refers not to morality itself but to the field of study, or branch of inquiry, that has morality as its subject matter. In this case, ethics is equivalent to moral philosophy. Although ethics has always been viewed as a branch of philosophy, it all-embracing practical nature links it with many other areas of study, including anthropology, biology, economics, history, politics, sociology and theology. Yet, ethics remains distinct from such disciplines because it is not a matter of factual knowledge in the way that the sciences and other branches of inquiry are. Rather, it has to do with determining the nature of normative theories and applying these sets of principles to practical moral problems. In the light of the foregoing considerations, the rest of this paper examines a number of ethical issues applicable to professional bodies with specific application to the accounting profession.

Ethics of Professional Integrity

Professional bodies require that their members, including those working outside the areas normally associated with the specific profession, must maintain a high standard of conduct. In conforming to the ethical standard of integrity, a professional should not knowingly mislead or misrepresent facts to others and should use due care to avoid doing so unintentionally. At all times, a professional should be conscious that integrity must be an overriding principle. In this regard, integrity is the quality of being honest and upright in character. A professional person should be aware of the difficulties, which may arise from offer or the acceptance of any gift, favour or hospitality, which may be interpreted as intended to influence the recipient.

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Ethics of Professional independence and Objectivity

Professional independence is a concept fundamental to the accountancy profession. It is essentially an attitude of mind characterized by integrity and an objective approach to professional work. A professional has a duty to be objective in carrying out professional work, and should maintain an independent approach to that work. Thus, an accountant performing professional work in commerce, industry or the public sector should recognize the problems created by personal relationships or financial involvement, which by reason of their nature of degree may threaten his/her objectivity. An accountant in public practice should be, and be seen to be, free in each professional assignment he/she undertakes of any interest that might detract form objectivity. The fact that this is self-evident in the exercise of the reporting function must not obscure its relevance in respect of other professional work. Although, an accountant not in public practice may be unable to be, or be seen to be, free of any interest that might conflict with a proper approach to his/her professional work, this does not diminish the duty of objectivity in relation to that work.

Ethics of Personal Relationship and its Impact on Objectivity

Taken from Adenubi, A., personal relationships can affect objectivity. There is a particular need, therefore, for a professional person to ensure that his/her objective approach to any assignment is not endangered as a consequence of any personal relationship. By way of example, problems may arise where the same partner or senior staff member works for a number of years on the same audit or where anyone in an audit firm has a mutual business interest with an officer or employee of a client or has an interest in a joint venture with a client. Such problems can also exist in cases of close friendship or relationship by blood or marriage or where work is being done for a company dominated by one individual.

Ethics of Conflicting Interest

As Adewunmu W., states if a professional observes conflicts of interest in his/her service, he/she must ensure a full and frank explanation to those involved, coupled with any action necessary to disengage from one or both position, the conflicting interests which have occasioned the difficulty. Conflicts should, so far as possible, be avoided by not accepting any appointment or assignment in which conflict seems like to occur. As an example, a professional who advises a company upon the figures on which such a company should base a tender for a contract should avoid the conflict of interest which would arise if he/she knowing became involved advising a rival company tendering for the same contract. This is the case of competing clients. Another example is where a professional is a financial adviser to a company and also deals with the personal affairs of its directors and there is a dispute between the company and one of those directors. In such a case the professional should select which of its clients to advise. It should not advise both and it may well be preferable that he/she advises neither although it may, if asked by both clients, put forward proposals for settling the dispute. Similar considerations apply in the case of a partnership dispute.

Ethics of Confidentiality

Confidentiality should be preserved both within and outside a professional’s organization. However, in the course of his/her work a professional may be faced with conflicts between his/her loyalty to the employers or colleagues on the one hand, and his/her duties as a member of a professional or as a citizen on the other hand. When faced with such conflict a professional should make disclosure only with proper authority or where there is a professional obligation, a right, a legal requirement or a public duty to disclose. Where a professional is in doubt as to whether he/she has a right or duty to disclose the person should if appropriate, initially discuss the matter fully with the employers. If that is not appropriate, or if the employers fail to resolve the problem, he/she should take legal advice and/or consult the professional body. Information acquired by a professional in the course of official duties and to which he/she would not otherwise have access should not be used for personal advantage nor for (he advantage of third party. When a professional change employment the person must distinguish between experience gained in previous employment and confidential information acquired there.
Ethics of Reasonable Skills and Care

In a contract for the supply of a service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable skill and care. The degree of skill and care required will depend principally on the nature of the work undertaken.

An accountant who undertakes work of an unusually specialized nature, or work of a kind whose negligent performance is particularly liable to cause substantial loss, will usually be taken to have assumed by a duty to exercise a higher skill and care than would be appropriate to less demanding work. This will, especially, be the case if he holds himself out as being experienced in the kind of work in question. In no case, however, is the duty likely to be absolute. Opinions expressed or advice given will not give rise to claims merely because in the light of later events they prove to have been wrong.

Ethical Issues Pertaining to Scope of Responsibility, Use of Engagement Letters and Question of Liability for Negligence

The accountant should ensure that at the time he agrees to perform certain work for the client the scope of his responsibilities is made clear, preferably in writing, and the terms of his contract with his client are properly defined. Wherever possible a letter of engagement should be prepared setting out in detail the actual services to be performed and the terms of the engagement should be accepted by the client so as to minimize the risk of disputes regarding the duties assumed. It may also be helpful for the avoidance of misunderstandings to indicate any significant matters that are not included in the scope of responsibilities undertaken, although it will rarely be possible to provide a comprehensive list of matters excluded.

An accountant may be liable for negligence not only in contract, but also in tort if a person to whom he owed a duty of care has suffered loss as a result of the accountant’s negligence. An accountant will almost always own a duty of care to his own client, but that duty is likely to be coextensive with his contractual duty. In practice, the possibility of liability in tort will be important mainly in the content of claims by third parties.

Negligence in this paper implies some act or omission that occurs because the person concerned has failed to exercise that degree of professional care and skill, appropriate to the circumstances of the case, which is expected of accountants and auditors. It would be a defense to an action for negligence to show (1) that there has been no negligence, or (ii) that no duty of care was owed to the plaintiff in the circumstances, or (iii) in the case of actions in tort that no financial loss has been suffered by the plaintiff. The third defense would not be available to a claim in contract, but only nominal damages would be recoverable and in those circumstances, it is unlikely that such an action would be brought.

In recent years there have been a number of cases where substantial sums have been claimed as damaged for negligence against accountants and auditors. In a number of cases it appears that the claims may have arisen as a result of some misunderstandings as to degree of responsibility which the accountant was expected to assume in giving advice or expressing an opinion, it is therefore, important to distinguish between (1) disputes arising from misunderstanding regarding the duties assumed and (ii) negligence in carrying out agreed terms.

Recent decisions of the courts, including three important decisions of the House of Lord of England, have expanded the classes of case in which a person professing some special skill (as an accountant does) may be liable for negligence to someone other than his own client: Hedley Byrne and Co. Ltd. v Heller and Partners (1964) A.C. 465; Anns V. Merton London Borough Coiuncil (1978) A.C 728, and Junior Books Ltd. V. Veitschi Co. Ltd. (1982) 2 W.L.R. 477. Such liability may arise whenever a professional person does work for his client in circumstances where he knows or ought to know; (1) that his work is liable to be relied upon by a third party and (ii) that the third party may suffer financial loss if the work in question has been done negligently.

Liability will arise when the work in question is of a kind that it was reasonable for the third party to rely on for his particular purpose. If these conditions are satisfied, the third party is a person whom, in the eyes of the law, the professional man ought to have in mind in applying his skills to the work in question. The implications are important for all accountants who producer or report upon...
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**Conclusion**

Lack of integrity in the professions and in business has accessioned enormous costs and in extreme cases resulted in colossal corporate failure and hence hardship and bitterness on the part of the investors. With that experience there is a general lack of confidence on the part of the client investors and the public in general to the work of the accountant who may shout to the heavens about his attribute of integrity. The truth is that the public is no longer listening as people are actively searching for veritable evidence of integrity in the accountant. Who will blame them for as the saying goes, once beaten twice shy.

Various professions of which accounting is one, have rules which regulate the dealing of their members with clients. For the accountant the ethics may be measured in terms of his honest assessment of himself and the painful decision of decline professional appointments based on lack of the register skill. It may also be measured in terms of the confidentiality with which he treats information related to his clients and which he gets to know having to his privileged position as accountant. The true test of integrity in the accountant is in relation to his attitude to gifts, wither as giver or receiver. Gifts are tempting and the ability to resist them will hold out the accountant among the whole lot of professional who appear to have completely lost all value. I am not sure it accountant have lived up to their motto. The standard is still falling and we have not seen the end. Though the watchword on the part of the client is do not believe the professional until you see real evidence.

**References**


