

ETHICAL VALUE OF ACCOUNTING PROFESSION: A PANACEA FOR FIGHTING CORRUPTION IN NIGERIA.

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Abstract

Accountants play key role in the fight against corruption. This is in view of the fact that most frauds are committed with the connivance of accountants and consequently there is a question as to the adequacy of accounting ethics in influencing the behaviour of accountants. This paper therefore attempts to explore how ethics of accounting profession could bring about the solution to the problem of corruption in Nigeria. The paper reviews the key role of accountants, the major accounting ethics, the nature of corrupt practices in Nigeria, efforts made so far to check corruption in Nigeria and the roles of institutions in the fight against corruption. The paper concludes that there are no sufficient safeguards for accountants who expose corruption and therefore recommends amongst others the strengthening of financial reporting framework in the fight against corruption as well as the sensitization of accountants on the effects of corruption.

Key Words: Corruption; Accounting Ethics, Accountability.

Introduction

The fight against corruption in Nigeria in recent time has taken a new dimension. This is in view of the determination of the Federal Government to fight the menace of corruption to a standstill. The problem of corruption has posed serious threat to governance particularly as the resources meant to provide amenities for the generality of the masses have been cornered by a few privileged people. The fight against corruption is not restricted to law enforcement agencies alone, but every facet of society is a stakeholder.

The recent financial scandals in large and small corporations both at national and international levels have great implications for the accounting profession. This brings to question the integrity of accountants (Bello: 2009). This is in view of the role played by accountants in recording and reporting on activities that have taken place in an entity. Thus for accountants to be able to function effectively, they must imbibe the ethics that are associated with the accounting profession. This is in line with the view of Asaolu, Oladele and Oladoyin (2005:17) as cited in Bello (2009) that “accounting profession is intimately intertwined with the ethical virtue of integrity. Once an accounting profession falls short of this virtue, whatever remains is a ruse: a mere shadow of the practice”.

The theme of this paper is apt and timely considering the efforts of the Federal Government of Nigeria in fighting the menace of corruption. It is even more useful to share this thought among the young Nigerians who are aspiring to be accountants. In order to properly address all areas, the paper is divided into five sessions as follows:

- a) What is accounting and what accountants do;
- b) Overview of the concept of accounting ethics – meaning, aim, attributes and consequences of unethical behaviours;

- c) The concept of corruption – meaning, types and forms.
- d) Roles of accountants in fighting corruption.
- e) Policy issues and recommendations.

Concept of Accounting and What Accountants do

Accounting can be seen as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information. It can also be seen as the process of generating, manipulating, storing and communicating financial information to appropriate users.

Accountants are those that have been adequately trained in the science of accounting. They possess a degree in accounting. When they possess professional certificate, they are described as professional accountants. Accountants can be classified into two – Public Accountants and Government Accountants. Public accountants perform broad functions such as auditing, tax, consulting for clients, which may be governments, non-profit organisations or individuals. This group of accountants may specialize in areas such as advising companies on the tax advantages and disadvantages of certain business decisions and preparing individual income tax returns. They also consult in areas such as design of accounting and data processing systems, selection of controls to safeguard assets, etc.

The Government Accountants work in the public sector, maintaining and examining the records of government agencies. They also audit accounts of private businesses and individuals whose activities are subject to government regulation and taxation. They ensure that revenues are received and expenditures are made in accordance with laws and regulations. Those employed by government work in Office of Accountant General, Auditor General, Ministry of Finance, Inland Revenue Service, etc.

Accountants help to ensure that organisations are run efficiently, public records are kept accurately, and taxes paid as at when due. They analyse and communicate financial information for various entities such as companies, individual clients and governments sectors.

Apart from the different functions mentioned above, accountants perform the following roles in organisations:

- a) Maintenance of adequate records relating to economic activities of an organisation.
- b) Provision of information for decision making
- c) Analyses and presentation of financial information in line with statutory requirements.
- d) Managing the financial assets of organisations.
- e) They enhance the implementation of all financial policies of organisations.

Accounting Ethics

Like every other profession, accounting profession has its own ethics. The importance of adoption of sound professional ethics in accounting cannot be overemphasized. This is in view of the fact that accounting services are rendered based on trust. Thus, for users to really trust the information provided by accountants, there should code of conduct that guide such practice. Moreover, accounting information is used by different categories of users across jurisdictions. The code of ethics becomes a benchmark for all to adopt across these jurisdictions and this financial information should reflect the global perspective.

There is no universal definition of ethics as scholars have viewed ethics differently. However, there is a consensus that it encompasses the combination of feeling of right and wrong, morality and compliance with rules and regulations, religious beliefs as well as societal acceptance of behaviour. According to Wheelright (1959) as cited in Onyebuchi (2011), ethics is defined as the systematic study of conduct based on moral principles, reflective choices, and standard of right and wrong conduct. Ethics in accounting can be seen as the standard set of behaviour intended to control the conduct of members to discharge their duties with diligence, objectivity and to guarantee the integrity of the profession (Bello:2009).

Due to the importance the International Federation of Accountants Committee (IFAC) attached to this subject it issued code of professional ethics which it encourages all professional accountants to imbibe. According to them, professional accountants' responsibility is not exclusively to satisfy the needs of an individual clients or employer. The responsibility is also towards the users which usually are the members of the public.

Thus IFAC established the fundamental principles which include:

- a) **Integrity:** A professional accountant should be straightforward and honest in all professional and business relationships;
- b) **Objectivity:** A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional business judgements;
- c) **Professional Competence and Due Care:** A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.
- d) **Confidentiality:** A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationship and should not disclose any of such information to third parties without proper specific authority unless there is legal or professional right to do so. The information should not be used for personal advantage.
- e) **Professional Behaviour:** A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

The Concept of Corruption. The Macmillan English Dictionary defines corruption as dishonest or illegal behaviour of officials or people in position of power, especially when they accept money in exchange for doing things for someone. Corruption may be defined as the abuse of entrusted power or resources for private or personal gain. The International Monetary Fund define corruption as abuse of authority or trust for private benefit: and is a temptation indulged in not only by public officials but also by those in positions of trust or authority in private enterprises or non-profit organizations (Wolfe and Gurgin, 2000). The Transparency International defines corruption as involving behaviour on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves or those close to them, by the misuse of the public power entrusted to them.

Common forms of Corruption:

Although there are numerous forms of corrupt activities. However, the followings are identified to be the commonest forms of corruption.

- a) **Bribery:** This is the use of reward to pervert the judgment of a person in a position of trust. For example, a business individual pays an amount of money to a government official in order to be given a government contract or license.
- b) **Nepotism:** This is the bestowal of patronage by reason of inscriptive relationship rather than merit. An example is when an individual takes advantage of his or her position to favour a family member or business associate for a job or tender contract.
- c) **Misappropriation:** This is an illegal appropriation of public resources for private uses.
- d) **Fraud** such as inflation of contract sums by public officials.
- e) **Unauthorized variation of contracts.**
- f) **Payment for jobs not executed.**
- g) **Payment of ghost workers.**
- h) **Overpayment of salaries and allowances to staff.**
- i) **Diversion of government revenue by public officials.**

- j) Deliberate irregularities in the management of accounting procedures.
- k) Budget padding.

Furthermore, the Corrupt Practices and Other Related Offences Act (2000) lists offences which are punishable by the Act to include among others:

- a) Gratification by an official;
- b) Corrupt offers to public officers;
- c) Corrupt demand by persons;
- d) Fraudulent acquisition of property;
- e) Fraudulent receipt of property;
- f) Making false statement or return;
- g) Gratification by and through agents;
- h) Bribery of public officers; and
- i) Using position for gratification.

Effects of Corruption

In the words of Soyode (2014), bribes, embezzlements, money laundering, and frauds appear to be everywhere; at every level of government, every arm of government; and among all strata in the society. Goods and services are poorly delivered, qualities and quantities are not adequate, and prices and fees are disproportionate to the values received. Mallam Ribadu former chairman of EFCC lamented that corruption is central to the failure of government because the resources of the country go to a small number of people and it is often taken out and not used for our people and not for the cause in the development of our country.

Corruption has a lot of negative impact on every sphere of societal development: social, economic and political. It is a global phenomenon and its effects on individuals, institutions, countries and global development have made it an issue of universal concern. The impact of corruption include the erosion of the moral fabric of society, violation of the social and economic rights of the poor and vulnerable, undermining of democracy, subversion of the rule of law, retardation of development and denial of society particularly the poor of the benefits of free and open competition.

As the Chairman of Transparency International, Peter Eigen correctly noted, “corruption does not just line the pockets of political and business elite; it leaves ordinary people without essential services such as lifesaving medicines and deprives them of access to sanitation and housing. In short, corruption costs lives”. Corruption erodes the confidence of foreign investors in Nigeria. Thus investors tend to do business with Nigerians in fear of losing their investments. This deprives Nigeria of foreign direct investments.

Fraud

Fraud is one of the prevalent forms of corruption perpetrated by accountants. According to Hopwood, Young and Leiner (2013), fraud is defined as the means by which a person can achieve an advantage over another by false suggestions or suppression of the truth.

The Institute of Internal Auditors defined fraud as:

‘Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the applications to obtain money, property or service; to avoid payment or loss of service; or to secure personal or business advantage’.

Osioma (2013) identified three types of fraud existing in financial reporting situations:

- a. Manipulation, falsification or alteration of accounting records or supporting documents from which financial statements are prepared.
- b. Misrepresentation in, or intentional omission from the financial statements of events, transactions, or other significant information.

- c. Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

Akpa (2011) describes fraud or scam as a game of deception played with the aim to rip-off the victim of something of value. According to him, all act of fraud display the following elements:

- a) A false representation (i.e. misrepresentation) of material particular;
- b) Actual knowledge that the representation is false or reckless disregard for the truth;
- c) The recipient of the false representation reasonably and justifiably relied on it; and
- d) Financial damages resulting from all of the preceding are suffered by the recipient.

Institutional and Legal Framework in Fighting Corruption in Nigeria.

In Nigeria, there are a number of legislations in addition to specific programmes for fighting corruption. These legislations include:

- a) 1999 Constitution of Nigeria
- b) Independent Corrupt Practices and Other Related Offences Commission Act 2000
- c) Economic and Financial Crimes Commission Act, 2004
- d) Money Laundering (Prohibition) Act, 2004
- e) Finance Act, 2004
- f) Advance Fee Fraud and Other Fraud Related Offences Act, 2006
- g) Public Procurement Act, 2007
- h) Fiscal Responsibility Act, 2007
- i) The Failed Banks and Financial Malpractices in Bank Act, 1994 (amended 1999)
- j) The Banks and Other Financial Institutions Act, 1999 (amended 2002)
- k) Code of Conduct Bureau, 1990
- l) Nigeria Financial Intelligence Unit.

The Independent Corrupt Practices and Other Related Offences Act, 2000

The ICPC Act (2000) seeks to prohibit and prescribe punishments for corrupt practices and other related offences. It established the Independent Corrupt Practices and other related offences Commission (ICPC) vesting it with the responsibility for investigation and prosecution of offenders thereof.

Economic and Financial Crimes (Establishment) Act 2004

This is the Act that establishes the Economic and Financial Crimes Commission (EFCC). The EFCC is saddled with the following responsibilities:

- i. The investigation of all financial crimes.
- ii. The adoption of measures to identify, trace, freeze, confiscate proceeds derived from terrorist activities, economic and financial crimes related offences.
- iii. The establishment and maintenance of a system for monitoring international economic and financial crimes in order to identify suspicious transactions and persons involved.

Finance Act, 2004

This Act provides for the control and management of the public finances of the Federation. This deals with management and control of public funds, statutory expenditure, implementation of Appropriations and supplementary appropriations Acts in accordance with the relevant sections of the 1999 Constitution of the Federal Republic of Nigeria.

Advance Fee Fraud and Other Related Offences Act, 2006

This is an Act to prohibit and punish certain offences pertaining to Advance Fee Fraud and other fraud related offences. This act applies to both individuals and corporate bodies. The offences include;

- i. Obtaining property by false pretence
- ii. Fraudulent invitation to do business in Nigeria.
- iii. Permission to use premises to do fraudulent businesses.
- iv. Possession and receipt of fraudulent documents.

- v. Laundering of funds obtained through unlawful activities.

Public Procurement Act, 2007

The Act established the National Council on Public Procurement and the Bureau of Public Procurement as the regulatory authorities responsible for the monitoring and oversight of public procurements, harmonizing the existing government policies and practices by regulating, setting standards and developing a legal framework and professional capacity for public procurements in Nigeria and for related matters. The Act applies to all procurement of goods, works and service carried out by:

- a) The Federal Government of Nigeria and all procurement entities.
- b) All entities outside the foregoing description which derive at least 35 percent of the fund appropriated or proposed to be appropriated for any type of procurement described in the act from the federation share of Consolidation Revenue Fund.

The provision of the Act shall not apply to the procurement of special goods, works and services involving national defence or national security unless the president's express approval has been first sought and obtained.

From the scope of application, private sector organizations and those involved in national defence or security matters are excluded.

Fiscal Responsibility Act, 2007

This is an Act for providing prudent management of the nation's resources; ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within a medium term fiscal policy framework and establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the Nation's economic objectives, and related matters. According to the Act, the commission shall:

- i. Have power to:
 - a) Compel any person or government institution to disclose information relating to public revenue and expenditure
 - b) Cause an investigation into whether any person has violated any provision of this Act and forward such report to the Attorney-General of the federation for possible prosecution.
- ii. Co-ordinate the budgetary planning of co-operators and related agencies.
- iii. Be responsible for forecasting and collection of public revenue.
- iv. Co-ordinate savings and management of assets in public organizations.
- v. Oversee public expenditures and management of public debts.
- vi. Compel public organizations to maintain transparency and accountability in their fiscal and financial affairs.

Code of Conduct Bureau

This is the code of conduct for public officers. It regulates:

- a) Conflict of interest with duty restrictions from double remuneration from public organization.
- b) Prohibition from operating foreign accounts
- c) Restriction from receiving gifts or benefits in kind
- d) Restriction of accounting officers from accepting loans, gifts or benefits from financial institutions that are recognized by law.
- e) Abuse of power
- f) Restriction from membership of societies that have incompatible objectives with the functions and dignity with the public officers' office.
- g) Declaration of asset of public officers.

Nigeria Financial Intelligence Unit (NFIU)

This is the Nigerian arm of the global financial intelligence unit. Its activities are covered under the EFCC Act and Money Laundering (Prohibition) Act. The core role of NFIU is that it serves as Nigeria control agency for the collection, analysis and dissemination of financial information regarding money laundry and financing of terrorism.

Other Frameworks

The Auditor-General

There is an Auditor-General for the federation as well as for each of the states of Nigeria. He audits the public accounts of the federation or state (as the case may be). The Auditor General is also empowered to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies including all persons and bodies established by the National Assembly or the State House of Assembly (as the case may be).

Other Laws/Institutions

Much of federal and state legislation have provisions aimed at checking corruption. A good example is the recently enacted Freedom of Information Act and the local government laws of the various states. In respect of institutions, the Nigeria Police is an institution whose principal duty is to detect, prevent and investigate crime as well as arrest offenders for purposes of prosecution. Ordinarily, it should be at the vanguard of the fight against corruption but it has failed woefully because of its internal contradictions. As one of the most corrupt institutions in the country, it lacks the moral standing as well as the confidence of the people which is a sine qua non for any effective crime control including the fight against corruption. Finally the role of non-governmental organizations, media houses, the Civil Society groups like the Nigerian Bar Association and the Nigeria Labour Congress in the fight against corruption cannot be overemphasized.

Roles of Accountants in Fighting Corruption

Ethically, legally and morally, accountants owe the responsibility of presenting financial information that is free of any misstatement and which can be relied upon by any user of the information. However, cases of corruption have always been linked with collusion from accountants or inability of accountants to put in place sufficient measures to check or bring to fore any trace of fraud. Thus the accountants are usually at the center of any investigation involving corruption.

Onyebuchi (2011) has gone further to say that since professional accountants are increasingly facing complex challenges in both business and professional environments as a result of the events of the last decade, pressures for more ethical behaviours are growing in the business environment.

The levels of accounting functions in which corruption is prevalent are:

- a) The auditors who are charged with the responsibility of examination of financial records and reporting on the outcomes;
- b) The financial accountants who are charged with the responsibility of maintaining adequate records of transactions and reporting on them;
- c) The tax consultants who are required to ensure that appropriate taxes are paid;
- d) The management accountants who are required to provide accurate information regarding processes for internal decision making.

Each of these levels is expected to maintain high sense of integrity, professional judgements and objectivity in the discharge of their duties. Thus in the words of Soyode (2014), professional accountants have the responsibility for the control and monitoring of financial resources.

Apart from the above, the following specific requirements are expected of accountants:

- a) *Compliance with Ethical Rules*: Professional accountants are expected to comply with ethical rules of accounting profession. It is believed that when the ethical rules are

complied with meticulously, there will be remarkable shift from the get rich syndrome among accountants.

- b) *Vigilance*: Professional accountants are expected to be vigilant in the course of their responsibilities. By this, they are required to adopt sceptical approach to every financial issue. This also involve being thorough and given careful attention to every aspect of accounting responsibilities. They should look out for red flags which are potential risk. They should be aware of things that can go wrong.
- c) *Whistle Blowing*: This involves raising alarm when there is suspicion of any wrongdoing at work. It involves things that are not right, illegal, or when one is neglecting his duties. The accountants are required to reports all suspected cases that bother on corruption to the appropriate agencies of government such as the Police, ICPC, EFFC, Code of Conduct, etc. The importance of whistle blowing is re-echoed in the words of Mrs Owolabi as cited in Olutimehin & Emenyonu (2015) as follows: “The council of institute considers whistle blowing as a crucial instrument to detecting and reporting corruption, fraud and mismanagement in the public, private and non-profit sector. Many a time, a disclosure on corruption is often not appropriately followed up by the concerned authorities, whistle-blowers have a critical role to play in the protection of the public interest”.
- d) *Controls*: Accountants are expected to assist management in installation of adequate control measures that will not only prevent misappropriation of asset but will also detect any of such act. This is very important in view of the fact that accountants are in the position to identify potential risk areas and consequently should be able to advice as such. Transaction-level controls are very crucial here. They help to ensure that only valid, authorized and authentic transactions occur and safeguard corporate assets from loss due theft.
- e) *Discipline*: Accountants should maintain high level of moral discipline devoid of greed and materialism. The accountants are exposed to very tempting situations in their duties and as such they are expected to be above board in the course of their duties.
- f) *Professional Behaviour*: There is obligation on the professional accountants to comply with relevant laws and regulations and to avoid any action that may discredit the profession.
- g) *Engagement*: A professional accountant in public practice should not engage in any business, occupation, or activity that would expose him to the temptation of indulging in corrupt practice.

Policy Issues and Recommendations

It is on record that accountants have suffered so much victimization in the course of discharging their duties. While some have lost their cherished jobs, others have been killed prematurely just because they want to maintain the ethics of the profession.

Most worrisome is the fact that the accountants and their families are left to suffer alone and where they are killed, their families are abandoned to bear their cross. The effect of this is the display of general apathy by accountants. They tend to keep quiet in order to avoid being killed and in some extreme cases, they resign from such jobs.

The question therefore arises as to what government is doing to protect whistle blowers in particular. For instance, the Institute of Chartered Accountants of Nigeria (ICAN) set up the Whistle Blower Protection Fund in 2011. They main aim of the fund is to provide some succour

to any member of the institute who suffers undue victimization as a result of whistle blowing. Therefore it is recommended that appropriate reward should be given to any person who reports corrupt activities.

The second aspect that is worth mentioning is the remuneration paid to accountants. It is important to stress that when salaries paid to accountants are not enough to take care of them and their needs, they must look for a way of obtaining the difference in order for them to survive. Thus is recommended that salaries paid to accountants should be reasonable enough to sustain them and their families.

Another important factor is the deterrent effect. Where there is no sufficient record of those that have been reprimanded for corrupt practices, others will not learn and refrain from corrupt practices.

It is often very frustrating to observe that the authorities concerned displayed nonchalant attitude towards reported cases of corruption. This may discourage the whistle-blower from alerting the authorities concerned where there is a case of corruption. Consequently, it is recommended that authorities should give attention to all reported cases of corruption so that others will have the consciousness that their efforts are not in vain and will be motivated to 'blow the whistle' when necessary.

In summary, the whole essence of this discourse is to discourage accountants from indulging in corruption cases. To stimulate and arouse the consciousness of accountants on the need to take actions that are devoid of corruption.

The shame of being indicted in corruption cases is often more degrading than the benefit in the long run. Therefore to be forewarned is to be fore armed.

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