



Does Professional code of ethics influence Professional Accounting Practice in Rivers State, Nigeria?

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ABSTRACT:- Business ethics literature suggests that professional code of ethics, personal value and punitive measures are likely to influence professional accounting practice. However, the levels of relationships are not the same in all profession and environment, and empirical evidence was lacking in Rivers State, Nigeria. This study investigated the relationship between the professional code of ethics, personal culture/value and punitive measure, and professional accounting practice in Rivers State. It employed qualitative approach to examine the relationship between professional code of ethics, personal culture/ value, punitive measure and professional accounting practice in Rivers State. The result revealed that there is significant relationship between professional code of ethics, punitive measures and professional accounting practice in Rivers State. This indicates that punitive measures can be used to enhance adherence to professional code of ethics in professional accounting practice. It is recommended that policy makers should increase awareness of the role of professional accounting in the society and professional bodies such as ICAN, ANAN and CITN should apply deterrence approach to increase adherence to professional codes of Ethics in Nigeria.. Further study is recommended for other states and using other methodology.

Keywords:- Codes, Ethics, Professional

I. INTRODUCTION

Many of the recent corporate failures and accounting scandals in the United States of America, Australia, and Europe (One – Tel, Harris Scarfe and HIH in Australia, World.com, Global Crossing, Qwest, Dynergy, CMS Energy, Tyco, Adelphia, Peregrine, Sun beam, Baptist Foundation of Arizona, Waste Management and Xerox in the United States), together with the collapse of Arthur Anderson have raised public scrutiny of business and accounting practices, particularly on the effectiveness of professional codes of ethics in accounting practice (Cahon and Martinov-Bennie, 2005, Martinov - Bennie and Mladenovic 2015). Several scholars in the field of business ethics have argued that professional accountants rarely use professional code of ethics to solve the problem of compliance in their practice that have resulted to several accounting scandals and business failures. Do these assertions still hold? Do professional code of ethics influence professional practice in accounting? We need to increase awareness as to why and how to leverage professional code of ethic effectively. There are concerns for the development and effective implementation of professional code of ethics. First, critics argue that professional code of ethics are for public relations than altering conduct and are used for window dressing. Second Ladd (1979 in Jamal and Bowie 1995) argued that professional code of ethics is designed to protect the economic interest of the professional rather than they are for protecting the public from unethical conduct. Third, some of the provisions are viewed to show that particular morale positions of professionals and don not represent the moral view of the society (community).

In response to what appears to be an explosion of unethical behaviour in both the profit and not for profit sectors, within government and business, higher education and other organizations have added new positions to lead legitimacy and a public face to support ethical behaviour (Messikomer and Cirka, 2010). Professionals are exploring means to improving professional service and to regain public confidence (Frankel 1989).

One of the more common suggestions for addressing ethical lapses in businesses and professions is the use of professional code of ethics. The function of ethics and the need for accounting decision maker to possess ethical expertise so as to be able to conduct appropriate professional judgement (Keim and Grant 2003) is widely acknowledged by the public, regulators and the profession. ICAN, for example, recognizes the importance of ethical behaviour for Accounting Professionals and provides its code to guide the behaviour of members (Buff and Yonkers 2005).

Professional code of ethics is the glue that binds the professional community together (Brien 1998), that guarantee the basic of trust between a profession and the society (Russ – Eft 2004). It provides a tangible standard against which the performance of the professional is measured (Tucker, Stathakopolous and Patti 1999, Coughlan 2001). Also, some professional code of ethics include punitive measures (including loss of membership), for members that violates the standard (Frankel 1989). This raise the question: Do unethical professionals cease to count as professionals (Brecher 2014)? Do punitive measures influence the level of adherence to professional code of ethics? Some scholars have raised question about the role of professional code of ethics on professional practice and the professions' commitment to the enforcement of their code of ethics (Neu 1991 and Allen 1991). Others have asked: to whom do professionals owe their primary allegiance?

The main aims of this paper are: 1) to determine the relationship between professional code of ethics and Accounting practice in Rivers State; 2) to determine the relationship between personal culture/value and professional code of ethics and 3) to determine the relationship between punitive measures and professional code of ethics. These objectives give a new direction to ethics literature. This study is consistent with the recommendations of Kaptein and Schwartz (2008), and Peterson and Krings (2009) that suggested for research on the influence of professional code of ethics on every day practice (Messikomer and Cirka 2010). To realize our objectives, we conducted an exploratory study to determine the relationship between Personal value/culture, Punishment, Professional code of ethics and Professional accounting practice in Rivers State, Nigeria. We focused on professional accountants that are in practice and analyzed the joint effects of professional codes of ethics, personal culture/value and punitive measures on professional accounting practice. We found that there are positive relationship between professional code of ethics, personal values/cultures and punitive measures. Our findings are not only scientifically relevant but also professionally useful. Further, these findings will be useful to professional accounting bodies, individuals and regulators.

The next part of this paper is organized as: Conceptualisation, Methodology, and Discussion of findings, conclusion and limitation/recommendation

II. CONCEPTUALISATION

2.1 Professional codes of ethics

A code is a set of rules: some may take the form of advice rather than directive. In a profession, a code is an enabling document, a source of public evaluation and ways of professional association that is used to improve the profession's reputation and public trust, deterrence to unethical behaviour, adjudication, support to a system and preserve entrenched professional biases (Frankel 1989, Espinosa – Pike and Barrainkua – Aroztegi 2014).

A professional code rests on the principle of a common technical and / or scientific body of knowledge that guarantees competence. The professional codes of ethics should protect members of an association, function to promote the interests of an association, and should be respected by the embers (Hoivik 2002). Thus, professionalism and personal ethics appears to be inseparable in as much as the very one concept the individual has in one's role as a professional seems to change one's personal and professional ethics (Callahan 1988). Professional code of ethics indicates an understanding of a professional group oriented to service and not for profit. This in turn appears to present professionals as group in society who voluntarily subscribe to a superior ethic.

Along a continuum, three types of professional of codes of ethics can be identified: aspirational code, educational code and regulatory code. An operational code is a statement of ideals to which professional thrive for full realization of human achievements (Frankel 1989). In the case of educational code, the professional emphasis is on the understanding of its rules. Accordingly, deliberate effort is made to by the professional to show how its code can be used to address ethic issues associated with professional practices. Because values influence what makes something good or what makes something desirable. The third type of code is the regulatory code. A regulatory code includes a set of structured rules that is used to control professional conduct and as a channel of adjudicating grievances.

2.2 Regulation of Accounting Professionals: The role of Professional codes of ethics in Nigeria

Using a functionalist approach, sociologist holds that a profession by nature is a self conscious community whose members knows their norms and identify themselves to each other and people outside their organization (Brein 1998). The profession, as an institution, serves as a normative reference group for individual

practitioners and with a code of ethics that clarifies the norms that should govern behaviour, for both its members and outsiders (Frankel 1989). In Nigeria, accounting professionals are regulated by professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN) and the Chartered Institute of Taxation of Nigeria (CITN). Each body has a set of professional code of ethics for her members.

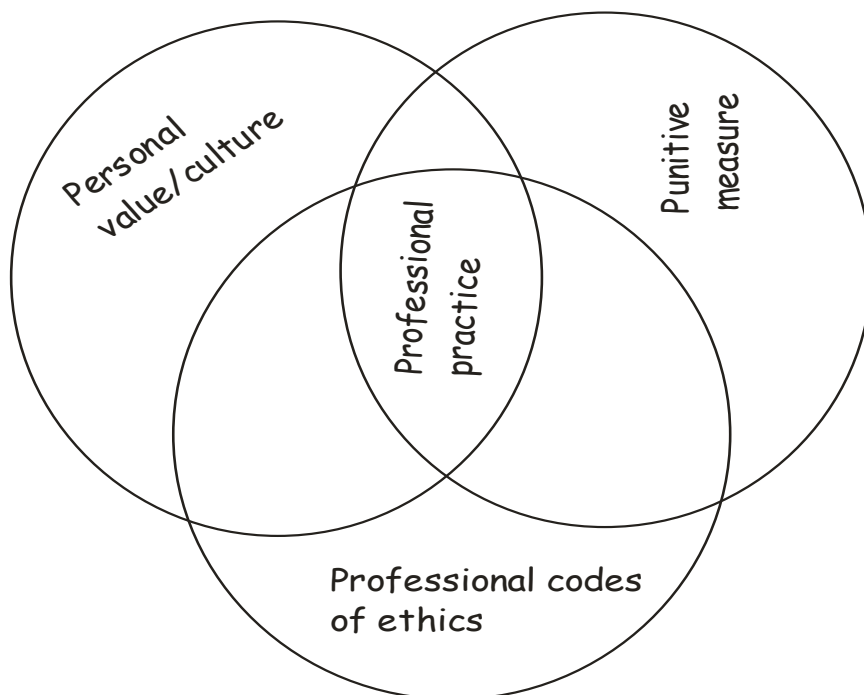
Accounting professionals, with license for professional practice in Nigeria, are expected to operate within the proviso of the code that imposes a responsibility of self regulation. They are expected to support others in performing their functions and report violators to the supervisory and regulatory bodies (ICAN, ANAN, CITN, and Financial reporting council). However, this approach appears to have few rewards and too many risks related to reporting errant members. Accordingly, other means of social control – licensing, peer review and mandatory reporting principles have been adopted. In the light of the above, we raise the question: Do punitive measure (including the withdrawal of license) influence the level of adherence to professional codes of ethics in Nigeria.

2.3 Framework for the evaluation of Professional codes of ethics in Nigeria

We propose three criteria that should be used to achieve some level of compliance with professional code of ethics in Nigeria. First, a professional code of ethics should have local perspective. That is, the guidelines on professional conduct must be consistent with the values recognized by the Institute of Chartered Accountants of Nigeria (ICAN) or Association of National Accountants of Nigeria (ANAN). The individual value can provide the basis of assessing professional codes of ethics in terms of personal culture, so that the likely success of professional code of ethics for ICAN or ANAN members can be predicted. In Accounting Profession, the integrity principle requires accountants to be honest and straight forward in performing his assignment. What constitute straight forward and honesty may be a function of individual believe, in particular, his willingness to be transparent to non members of Accounting Profession.

Second, the professional code for ICAN or ANAN members must be able to satisfy or proscribe behaviours. Thus, we recognize the use of punitive measures to check unethical behaviour. Velayutham (2003) asserts that disciplinary measures can be used to support enforcement of professional code of ethics.

Third, the mere existence of professional code of ethics is not enough to guarantee an individual profession's compliance (Cohen, Pant and Sharp, 1992). Miller (in Cohen et al. 1992) acknowledges that professional code of ethics may be respected more in one place than in another. Accordingly, we recognized professional code of ethics as an important valuable.



IV. METHODOLOGY

In this section, we will explain the method and procedure used in gathering data.

4.1 Participants

The research population includes licensed accounting professionals that are resident in Rivers State, Nigeria. In Nigeria, there are 1,814 Professional Accountants that renders services to individuals and organizations in both the private and public sector respectively.

However, due to the limitation of time, budget and geographical distance, it was not possible to collect data from other states in Nigeria. Rivers State was selected for reasons of convenience, cost and for the fact that it is made up of Professional Accountants from different tribes that can communicate in English Language.

A sample of 90 experienced Nigerian Professional Accountants and partners of practicing firms were selected. They were selected because they are familiar with all aspects of accounting judgement process in terms of both technical and ethical issues.

4.2 Data collection

This is an exploratory study that determines the relationship between (how much) professional code of ethics (what) influence professional practice (who) in Rivers State (where) in 2015 (when). This paper adopts a quantitative approach that is consistent with exploratory research. Quantitative approach involves choices about the phenomenon and variables to observe and the level of detail for observation.

The primary data was gathered by means of questionnaire. The study questionnaire was compiled in English and was randomly administered across professional accountants and partners in practice across Rivers State. In order to guarantee participants anonymity, the questionnaire does not ask for personal identification. 90 copies of questionnaires were administered and 74 were received, which represented 82.2% level of success rate of rate.

V. RESULTS

Table 1: Demographics of the Respondents

Demographics variables	No. of Respondents	Percentage (%)
Age		
Male	67	90.5
Female	7	9.5
Total	74	100.0
Profession		
In accounting practice	19	25.7
In partnership	55	74.3
Total	74	100.0
Years of membership		
0-5years	19	25.7
6-10 years	29	39.2
11-15 years	12	16.2
16-20 years	3	4.1
Above 20 years	11	14.9
Total	74	100.0

Table 1 show that 90.5% of the respondents were male and 9.5% representing female professional accountants that participated. Further, 25.7% represents those that are not in partnership and 74.3% for those in partnership. Nineteen respondents (25.7%) have been member of their respective profession between 0-5 years while 39.2%, 16.2%, 4.1% and 14.9% have been member for 6-10 years, 11-15 years, 16-20 years and more than 20 years respectively. Also, it is established that most of the respondents have at least 6 years professional experience (74.3%)

Hypothesis one

H0: There is no significant relationship between professional code of ethics and professional accounting practice in Rivers State.

H1: There is a significant relationship between professional code of ethics and professional accounting practice in Rivers State.

Table 2: Relationship between Professional Code of Ethics and Professional Practice

Do professional codes of ethics influence the activities of your profession?	f_0	f_e	$(f_0 - f_e)^2 / f_e$
Strongly agree	55	37.0	8.76
Agree	19	37.0	8.76
Total	74		

$$\chi^2 = 8.76 + 8.76 = 17.51, K = 2$$

$$\begin{aligned} \text{Correction coefficient, } r &= \sqrt{\frac{\chi^2}{N(k-1)}} \\ &= \sqrt{\frac{17.51}{74(2-1)}} \\ &= \sqrt{\frac{17.51}{74}} \\ &= \sqrt{0.2366} \\ &= 0.49 \end{aligned}$$

Critical value of $r = 0.255$.

The calculated r (0.49) is greater than the critical r (0.25) at 5% level of significance. Therefore, the null hypothesis is rejected. Hence, this study establishes that there is a significant relation between professional code of ethics and professional accounting practice.

Hypothesis two

Ho: There is no significant relationship between personal value / culture and adherence to professional code of ethics in Rivers State.

H1: There is no significant relationship between personal value / culture and adherence to professional code of ethics in Rivers State.

Table 3: Relationship between personal value / culture and adherence to professional code of ethics.

Do personal cultural values influence your adherence to professional codes of ethics?	f_0	f_e	$(f_0 - f_e)^2 / f_e$
Strongly agree	12	14.8	0.53
Agree	23	14.8	4.54
Indifferent	16	14.8	0.10
Disagree	17	14.8	0.33
Strongly disagree	6	14.8	5.23
Total	74		10.73

Degree of freedom = $k = 5$, $\chi^2 = 0.53 + 4.54 + 0.10 + 0.33 + 5.23 = 10.73$

The correlation coefficient r is

$$\begin{aligned} r &= \sqrt{\frac{\chi^2}{N(k-1)}} \\ &= \sqrt{\frac{10.73}{74(5-1)}} \end{aligned}$$

$$\begin{aligned}
 &= \sqrt{\frac{17.51}{74 \times 4}} = \sqrt{\frac{17.51}{296}} \\
 &= \sqrt{0.055} \\
 &= \\
 C &= \sqrt{\frac{\chi^2}{\chi^2 + N}} = \sqrt{\frac{10.73}{10.73 + 74}} \\
 C &= \sqrt{\frac{10.73}{64.73}} \\
 &= \sqrt{0.1266} = 0.235
 \end{aligned}$$

The calculated r (0.24) is less than the critical r (0.25) at 5% level of significance. Therefore, the null hypothesis is accepted. Hence, this study establishes that there is no significant relationship between personal value / culture and adherence to professional code of ethics.

Hypothesis three

Ho: There is no significant relationship between punitive measures and adherence to professional code of ethics in Rivers State.

H1: There is a significant relationship between punitive measures and adherence to professional code of ethics in Rivers State.

Table 4: Relationship between punitive measures and adherence to professional code of ethics.

Do punitive measures influence your member's behavior on adherence to professional codes of ethics?	f_0	f_e	$(f_0 - f_e)^2 / f_e$
Strongly agree	32	14.8	9.25
Agree	26	14.8	8.48
Indifferent	8	14.8	3.12
Disagree	4	14.8	7.88
Strongly disagree	4	14.8	7.88
Total	74		47.35

Degree of freedom = k = 5, $\chi^2 = 9.25 + 8.48 + 3.12 + 7.88 + 7.88 = 47.35$

$$\begin{aligned}
 \text{Correlation coefficient } r &= \sqrt{\frac{\chi^2}{N(k-1)}} \\
 &= \sqrt{\frac{47.35}{74(5-1)}} \\
 &= \sqrt{\frac{47.35}{74 \times 4}} = \sqrt{\frac{47.35}{296}} \\
 &= \sqrt{0.1599} \\
 &= 0.40
 \end{aligned}$$

The calculated r (0.40) is greater than the critical r (0.25) at 5% level of significance. Therefore, the null hypothesis is rejected. Hence, this study establishes significant relationship between punitive measures and adherence to professional code of ethics.

Table 5: Correlation Matrix between Research Variables

	Professional codes of ethic	Cultural values	Punitive measures
Professional codes of ethic	1	0.241 (0.038)	0.184 (0.119)
Cultural values	0.241 (0.038)	1	0.115 (0.334)
Punitive measures	0.184 (0.119)	0.115 (0.334)	1

* $p < 0.05$, significant at 5%. Values in the parentheses are the p-values.

Table 5 shows the relationship between the each of the variable. The result reveals that there is a significant relationship between professional ethics and cultural values ($r = 0.241$, $p = 0.038$, $p < 0.05$). The relationship between punitive measures and professional ethics was found to be positive ($r = 0.184$, $p = 0.119$, $p > 0.05$). Positive relationship was also obtained between personal/cultural values and punitive measures ($r = 0.115$, $p = 0.334$, $p > 0.05$).

VI. DISCUSSION

The role of ethics and the necessity for accounting decision makers to possess ethical expertise so as to be able to conduct appropriate judgements is widely acknowledged by the society, regulators and professionals. Accordingly, ICAN, ANAN, FRC and CITN develop codes of ethics that are used to guide the behaviour of members of accounting profession. Professional accountants explore code of professional ethics as a way of improving the professional service and to regain public confidence. This study is consistent with the recommendations of Kaptein and Schwartz (2008) and Peterson and Krings (2009) that suggested for research on the influence of professional code of ethics on every day practice. Further, behavioural literature show that some professional code of ethics includes the use of punitive measures (including loss of members) to get members of an association's commitment to codes of ethics. These relationships have not been examine in Rivers State

This study is the first to determine the relationship professional code of ethics, punitive measures, personal value and professional accounting practice in Rivers State, and the result have implication for Professionals, Policy makers and Accounting practice in Nigeria. The findings agree with those that encourage regulators to apply deterrent approach (punitive measures) in increasing adherence to professional codes of ethics among practicing accountants in Nigeria. It should be applied on members that violate professional standards (Frankel 1989).

The findings indicate that professional code of ethics influence professional accounting practice in Rivers State, Nigeria. However, personal value/culture does not show significant influence on the use of professional code of ethics. We attribute the outcome to the conceptions and interpretations of the question. However, the correlation matrix between research variables reveals that there is positive relationship between professional code of ethics and personal values/culture, punitive measures and professional code of ethics, and personal values/culture and punitive measures.

VII. CONCLUSION

The foregoing results indicate the need to adopt punitive measures and professional code of ethics in professional accounting practice in Nigeria. The punitive approach recognizes professional code of ethics as structured rules that should be used to regulate professional conduct. It will act as deterrent to unethical behaviour and support to preserve entrenched professional integrity. Based on these findings, it is evident that professional code of ethics and punitive measures influence professional accounting practice in Nigeria.

VIII. LIMITATION AND RECOMMENDATION

This study has limitations, in particular because of its research method. The correlated data do not allow causal interpretation of the results. In addition, despite the benefits of convenience sampling technique, this work is limited in scope. Finally, the relationship between the forms of professional code of ethics was not evaluated.

Therefore, it is recommended that further study should be conducted to address the limitations of scope, methodology, causality and forms of professional code of ethics.

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APPENDIX

QUESTIONNAIRE ON PROFESSIONAL CODE OF ETHICS AND PROFESSIONAL ACCOUNTING PRACTICE IN RIVERS STATE

Instruction: Please fill the vacant spaces provided and tick as appropriate

Sex: Male () Female ()
In professional practice () In partnership with other firms ()
Years of membership: 0-5yrs () 6-10yrs () 11-15yrs ()
16-20yrs() Above 20 ()

Question 1: Do professional codes of ethics positively influence the activities of your profession?

Strongly agree () Agree () Indifference ()
Disagree() Strongly disagree ()

Question 2: Do personal value / culture positively influence your adherence to professional codes of ethics?

Strongly agree () Agree () Indifference ()
Disagree() Strongly disagree ()

Question 3: Do punitive measures (including loss of membership) positively influence your adherence to professional codes of ethics?

Strongly agree () Agree () Indifference ()
Disagree() Strongly disagree ()

General Remark
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