

The Role of Ethics in the Accounting Profession and Prevention of Accounting Scandals in Nigeria

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ABSTRACT

Ethics is a fundamental concept in the practice of any profession globally. No profession can be considered noble if its members are not guided by ethical principles and standards. This study adopts a historical approach to examine major accounting scandals that have undermined the integrity of the accounting profession worldwide, with particular focus on Nigeria, and explores the underlying causes of these scandals. Findings reveal that lack of ethics and conflicts of interest among professionals responsible for accurate financial reporting and auditing were key drivers of these crises. Such scandals have eroded public trust and confidence in the profession. The study concludes that for the accounting profession to regain its esteemed status among other noble professions, accountants and auditors must demonstrate strong ethical and moral responsibility in their conduct. Professional accounting bodies across continents and countries should implement robust ethical frameworks and enforce sanctions to regulate practitioners' activities. Failure to do so risks diminishing the relevance of the profession in society. Consequently, the study recommends the creation of a centralized database for all practicing accountants in Nigeria, with strict sanctions against erring professionals to prevent re-engagement elsewhere. This measure will promote high ethical standards and accountability within the profession.

Keywords: Ethics, Accounting Profession.

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INTRODUCTION

Accounting is often described as the language of business. It serves as both a quantitative and qualitative method of documenting the economic history of an organization. Following the Industrial Revolution in Europe during the 18th century, business responsibilities expanded significantly. This development led to the separation of ownership from management, as business owners increasingly relied on financial managers, accountants, and auditors to keep pace with industrial growth. Consequently, the modern accounting profession evolved, with the public placing emphasis on annual financial reports audited by independent or external auditors. This practice is aimed at safeguarding owners from potential misappropriation of resources by employees.

However, in recent times, the ethical conduct of those preparing financial statements and even those entrusted with auditing these records have deteriorated. Professional etiquette within the accounting profession has been compromised, as evidenced by the alarming frequency of accounting scandals involving globally recognized auditors and practitioners. Notable examples include the Enron and Tyco scandals, Cadbury's financial misstatements, Nigeria's Fuel Subsidy probe of 2014, and the NDDC account probe by the House of Representatives in 2021. These cases underscore the urgent need to address ethics in accounting as a critical issue in financial discipline and corporate governance.

From this analysis, public trust and respect for those responsible for managing, recording, and preparing financial statements have significantly declined. The pressing question becomes: **What measures can be implemented to prevent the growing incidence of accounting scandals or at least reduce them to the barest minimum?**

This study focuses on the importance of ethical standards in preventing accounting scandals. The accounting profession is viewed by the public as a pillar of reliability for accurate financial reporting and safeguarding business assets. This responsibility rests on individuals charged with corporate financial duties, including directors, financial managers, treasurers, accountants, cashiers, and both internal and external auditors.

CONCEPTUAL FRAMEWORK

CONCEPT OF ETHICS: The Oxford advanced learners Dictionary defines ethics as “moral principles that control or influence a person’s behavior, for example, professions, business or medical, etc. Encyclopedia Britannica defines ethics as “that which deals with what people consider to be morally good, bad, right, and wrong. It can be applied to any belief system. Every profession has a set of rules that regulates their members in the performance of their professional duties.

ETHICS IN THE ACCOUNTING PROFESSION: Ethics in accounting is of utmost importance to accounting professionals and those who rely on their services. Professional accounting bodies and other accounting professionals know that people who use their services, especially decision-makers using financial statements, expect them to be highly competent, reliable, and objective. Those who work in the field of accounting must not only be well qualified but must also possess a high degree of professional integrity. A professional’s good reputation is one of his/her most important possessions.

According to Levitt. in Swain (2008) “The ethical dilemmas facing business and their accountants often revolve around pressures placed on companies’ investors and potentials investors and creditors”.

Generally, as can be noticed from Levitt’s view, ethical standards of society apply to people in professions such as medicine and accounting. However, society places higher expectations on professionals like accountants. Those who invest their money in business need to have confidence in the quality of financial services provided by the people that have been entrusted to manage the financial resources on their behalf. Because of this expectation, professionals have adopted codes of ethics, also known as codes of professional conduct for their members to maintain a level of self-discipline that goes beyond the requirements of laws and regulations.

Osmond Vitez (2009:13) opined that ethics in the accounting profession can only be ensured if accountants are guided by the following elements in their conduct and behavior.

CONFIDENTIALITY: Confidentiality is the principle and practice of keeping sensitive information private unless the owner or custodian of the data gives explicit consent for it to be shared with another party. The principle of confidentiality is by far knotted with the law. The AAT Code of Professional Ethics (2014), for instance, noticeably states that there is a legal duty as professional accountants to maintain the confidentiality of information given or obtained in situations that give rise to a responsibility of confidentiality. Nonetheless, there undeniably are some situations where the law allows for a violation of duty. When this legal duty is intractably flouted, there could be an onset of litigation or lawsuit. Besides the law, good professional behavior of accountants requires the maintenance of confidentiality (Hammer, 2000 in Emmanuel B.A et al 2016).

Confidentiality is crucial in the life of every institution, disregarding it could bring untold consequences to individuals and their employers alike. Undeniably, the accounting profession, like any other, reasonably appreciates the need for its members to uphold this crucial ethical behavior and hence has listed it as one of its fundamental principles in its ethics code. The principles are not only listed by the profession, but it also requires every accountant, regardless of where they are engaged, and even accounting students, to live and do their work in consonance with the provisions in the code. Emmanuel B. A. et. al (2016).

INTEGRITY: Osmond (2009) stated that “integrity is an important fundamental element of the accounting profession”. Integrity requires accountants to be honest, candid, and forthright with clients’ financial information. Accountants should restrict themselves from personal gains or advantages by using confidentiality in handling financial information. While errors or differences in opinion regarding the applicability of accounting laws do exist, professional accountants should avoid the intentional opportunity to deceive and manipulate financial information. Public accounting firms or private companies often develop a code of ethics or conduct rules to ensure all accountants act consistently.

OBJECTIVITY AND INDEPENDENCE: Objectivity and independence are important ethical values in the accounting profession. When conducting accounting services, accountants must remain free from conflicts of interest and other questionable business relationships. Failure to remain objective and independent may hamper

an accountant's ability to provide an honest opinion about a company's financial information. Accounting services include general accounting, auditing, tax, and management advisory services. Accountants who perform more than one of these services for a client may compromise their objectivity and independence. Hence accountants should refrain from it as an ethical measure.

PROFESSIONAL COMPETENCE AND DUE CARE: Due care is an ethical value requiring accounting standards. Professional accountants are often required to review generally accepted accounting principles (GAAP) and apply this framework to a company's specific financial information. Due care requires accountants to exercise competence, diligence, and a proper understanding of financial information. Competence is usually based on individual education and experience. Thus, due care may require senior accountants to supervise and direct other accountants with less experience in the accounting profession: (www.wikipedia.com/ethnics_in_accounting_profession).

THE ACCOUNTING PROFESSION: According to the business dictionary, accountancy is the process of communicating financial information about a business entity to users such as shareholders and management". Communication is generally in the form of a financial statement that shows in monetary terms the economic resources under the control of management and lie in selecting the information that is relevant to the user and is reliable. Those who do the jobs or practice this job are known as "accountants". According to an Etymological study in Wikipedia (2022) the word "Accountant" is derived from the French word "computer" which took its origin from the Latin word "Computare" which means someone who computes financial information of the business. The word was formally written in the English language as "ACCOMPTANT", but in process of time, the word which was always pronounced by dropping the 'P' became generally changed both in pronunciation and orthography to its present form "ACCOUNTANT" which simply means those who practice accounting profession.

Types of Accountants

There are two types of accountants, these are:

1. **Practicing or Public Accountant:** These are those licensed by the law to practice the accountancy profession, after fulfilling all the requirements and having passed the various qualifying examinations conducted by recognized Accounting Professional bodies. e.g., AICPA, CIMA, ACCA, ICAN, ANAN, CITN in Nigeria Context, etc.
2. **Graduate or Private Accountant:** These are those who possess a higher certificate, diploma, or degree from recognized and accredited higher institutions and universities and are employed by business organizations or public corporations, or sectors to undertake accounting activities.

CONCEPT OF CORPORATE FAILURE AND ACCOUNTING SCANDAL

According to Business Jargon (2022), the term corporate failure entails the discontinuation of the company's operations leading to the inability to reap sufficient profit or revenue to pay the business expenses, which happens due to poor management, incompetence, and bad marketing strategies.

Corporate failure could also be seen in terms of the inability of a corporate organization to conform itself to its strategic path of growth and development to attain its economic and financial objectives as well as legal obligations (Mbat & Eyo, 2013).

Corporate failure could result in a very unhealthy situation for a company and the economy of a nation, such as an increase in unemployment level, decreasing standard of living, underutilization of available resources, etc.

Wikipedia (2022) defined accounting scandal thus:

"Accounting Scandals or Corporate accounting scandals are political and business scandals which arise with the disclosure of misdeeds by trusted executives of large public corporations; such misdeeds typically involve complex methods for misusing or misdirecting funds, overcasting expenses, overcasting the value of corporate assets or underreporting the existence of liabilities with the cooperation of officials in and outside the corporation or their affiliates".

METHODOLOGY:

This review adopts a literature-based approach, analyzing reports from the Central Bank of Nigeria (CBN) publications, Financial Reporting Council (FRCN), Published Journals and Papers, Textbooks and reputable media sources. Data were synthesized to identify patterns, trends, and implications for policy and practice.

FINDINGS:

Scandals are often only the ‘tip of the iceberg’. They represent the visible catastrophic failure of the accounting system. Here are some notable accounting scandals that have rocked the accounting profession worldwide.

ENRON SCANDAL (USA – 2002): This is the most popular of all the various accounting scandals worldwide and is still being referred to even after ten (20) years of its occurrence. This scandal involved debts, inflating revenues, and corruption. It resulted in the displacement of more than 20,000 people in the U.S.A., the death of the American most innovative company for six (6) years in a row the dissolution of one of the biggest globally reputable accounting firms (Arthur Anderson). It also gave rise to the passage of the Sarbanes Oxley Act and more rigorous auditing standards U.S.A. (2002)

PARMALAT (2003) ITALY: This was a company based in Italy. Parmalat used to be the biggest dairy company in Europe, but it collapsed in 2003 and subsequently declared bankruptcy. The company went under for a variety of reasons; investment disasters, the non-existence of cash in the bank, fake transactions, hidden debts, and the use of derivatives and accounting fraud to hide these facts. These illegal acts were carried out worldwide and affected not only the company and its people but also international financial institutions.

WASTE MANAGEMENT: This is one of the biggest companies which offer comprehensive waste management and environmental services in the U.S.A. Unlike the first two (2) companies mentioned above, waste management still exists. The Scandal involved inflating income by a whopping sum of \$17 billion (dollars) and understating the depreciation expense of the company.

WORLDCOM (2003): World.Com is also known as MCL. Inc and is part of the Verizon communication group. The company emerged from bankruptcy in 2003. The allegation involves inflating total assets through capitalization of operation costs. The amount was estimated to be around \$11 billion (dollars). World-cum bankruptcy filing is second only to the Lehman brother in 2008 in the history of such filing in the U.S.A. It was found that the company engaged in fraudulent accounting practices resulting in the inflation of its revenue generated from its deals with Enron.

TYCO INTERNATIONAL: This is an international manufacturing company with a diversified product line (safety products, fire protection, electrical products, etc.). The fraud involved the misuse of the company’s funds by its former CEO and FO who utilized improper accounting practices to cover the misuse of these funds.

CADBURY NIGERIA PLC. (2006): This is one of the biggest conglomerates in Nigeria. The Managing Director and the financial director connived and deliberately overstated the company’s financial statement over several years to the tune of between N13billion to 15 billion. This was exposed when Price Water – House Cooper (an auditing firm) was engaged to review and investigate the company’s financial affairs in 2006. This can be referred to as the Nigerian version of the Enron Corporation in the U.S.A.

AFRIBANK NIGERIA PLC (2009): Another similar case of Cadbury in Nigeria is that of Afribank Plc. The Afribank financial statement woes and accusation by its former managing director that the Directors colluded with auditors to cook the books of accounts of the banks in 2009. Sebastian Adigwe, the former Group Managing Director, and Chief Executive of Afribank were accused of granting loans of approximately N91 billion to Falcon Securities Ltd., Rehobet Assets Ltd., Kolvey Company Ltd., and many other companies without adequate collateral. It was further reported that Adigwe failed to keep proper accounts and commercial papers as the contingent liability of his bank and failed to take reasonable steps to ensure the accuracy of the bank’s monthly returns to CBN from October 2008 and May 2009 (This The bank was bought over by then Main Street Bank which changed to Sky Bank and now Polaris Bank due to its failure to meet up the capitalization rate. (This Day Newspaper, 1 September 2009 in Olatunde Julius Otusany and Olayinka Marte Uadiale: 2014)

OCEANIC BANK PLC (2009): Cecilia Ibru, former MD and CEO of Oceanic Bank International, was charged with several offenses including money laundering and fraudulent conversion of depositors’ funds for her private gain. Evidence shows that she moved £1.7 billion to the UK in one transaction, and the sum was subsequently transferred into other foreign accounts. All the documents she presented to the CBN, and other regulatory agencies were ‘cooked’ (The Sun Newspapers, 30 August 2009 in Olatunde Julius Otusany and Olayinka Marte Uadiale: 2014)

FUEL SUBSIDY SCAM IN NIGERIA (2012): The House of Representative Ad-hoc committee on fuel subsidy account in their oversight function and probe of fuel Subsidy scam in 2012, reported that the Petroleum

Pricing Regulations Agency (PPRA) overpaid fuel subsidy more than the actual quantity of fuel supplied by oil markers and thus recommended the sack of accounting firms(Akintola Williams and Co, and Olusola Adekanola and Co) responsible for the verification of oil markers import claims for payments.

According to the Premium Times (2012), the KPMG report “faulted Akintola Williams Deloitte and Olusola Adekanola and Co. for not detecting that oil marketers were inflating petrol importation expenses, defrauding the nation of billions of Naira”. It further reported that, “the services of the audit and accounting firms responsible for certifying the documents and claims of oil markers before payment have been terminated” (*Premium Times, April 21, 2012*).

Response from Akintola Williams and Deloitte as reported by Kayode Ekundayo (2012) were.

- The firm denied any wrongdoing, stating its role was limited to verifying petroleum product receipts based on allocated vessels and confirming actual quantities imported.
- It also refuted claims of contract termination, noting that the April 12 letter only indicated “cessation of services.”
- This ambiguity may explain why no legal action was taken against the firms, suggesting the allegations were largely a media trial, as both firms remain among Nigeria’s most famous accounting firms.

According to ANEEJ (2014), the key Findings from Probe Panels and House of Representatives Ad Hoc Committee (April 18, 2012) were.

- Entire process fraught with endemic corruption and entrenched inefficiency.
- Wide accounting discrepancies between PPPRA, CBN, and OAGF accounting records.
- Identified FOREX and Income Tax infringements.
- Revenues owed to government agencies: FIRS, Nigerian Customs, Nigerian Ports Authority.
- Over ₦232 billion paid to marketers for PMS in 2011 was not supplied.
- Actual supply: 31 million liters/day vs marketers’ claims of 60 million liters/day.
- Subsidy became a scheme for mismanagement of revenues.
- Recommendation: Standing Committees should strengthen oversight responsibilities.

Technical Committee (Ministry of Finance, June 2012)

- Recommended Forensic Review of Oil Marketing & Trading (OM&T) companies.

Petroleum Revenue Special Task Force (NNPC/Ribadu Committee, August 2012) findings.

- NNPC deducted subsidy-related expenses before remitting funds to the Federal Government.
- Potential underpayment to the Federation Account over 10 years: ₦86.6 billion.
- Issues consistently highlighted in NEITI audit reports since 1999.
- Recommendation: Independent review of OM&T operations and creation of a special Oil & Gas Sector Financial Crimes Unit.

Presidential Committee (November 2012) report.

- Discovered 196 unverified transactions totaling ₦232 billion, involving 50 OM&T companies. (Source: <https://www.aneej.org/aneej-staff>).

The above issues were highly disturbing and contributed to the current Nigerian financial ailing economy.

UBER SCANDAL (2017): In recent years, there have been multiple accusations of sexual harassment at the firm and questions over its ‘stop-at-nothing’ approach to expansion. The latter allegedly saw it using illegal technology to evade law enforcement, poach drivers from competitors, and spy on users. However, it was ultimately accusations regarding Uber’s ‘bro’ culture that proved to be the biggest scandal and led to the resignation of CEO Travis Kalanick in June 2017. The allegations included complaints that senior members of staff had made sexist jokes and visited a brothel in Seoul. Even though some were not proven, the claims affected the price of the company’s shares, which were traded privately at the time. With Uber building an initial public offering (IPO), the company brought in a new CEO, Dara Khosrowshahi, to clean up its image and create a new culture. It was listed in May 2019 at \$45 per share, giving it a market capitalization of \$69.7 billion. (IG Academy. www.ag.com).

EQUIFAX (2017): Equifax is one of the ‘big three’ credit agencies, sitting alongside Experian and TransUnion. In September 2017, the company became aware of a major security breach, which it said could affect around 145 million of its US consumers plus many more around the world. The data stolen included names, social security numbers, birth dates, and addresses – information typically used by banks and other financial institutions to confirm identities. Many of the consumers who were affected by the breach could therefore become victims of identity theft in the future, making this one of the most serious breaches of personal data in recent years. (IG Academy www.ig.com).

Banking Sector Fraud Report (2024): Nigerian banks lost ₦17.6 billion in 2023, ₦52.26 billion in 2024, and recorded a 45% surge in fraud cases in 2025, with 70% linked to digital platforms (Naira metrics, 2025). ₦82.4 billion due to hacks and fraud cases in Nigeria between 2023 and 2024 (Techpoint, 2024).

Corporate Governance Failures Report (2024): FRCN reported that, Nigerian Investors have lost billions of dollars due to companies falsifying and deliberately overstating their accounts and assets. This, the Executive Secretary and CEO of FRCN opinion, has resulted in the downfall of numerous companies and caused severe financial damage to investors. (BusinessDay, 2024).

Digital Fraud Explosion Report (2025): Crypto-related scams surged, with \$56 billion in transactions recorded between 2022 and 2023, fueling Ponzi schemes (CBN Report, 2025).

Audit Failures (2025): Nigeria forfeited \$4 million World Bank loan due to poor audit standards (Punch, 2025).

Discussion:

The findings reveal systemic weaknesses in internal controls, governance, and regulatory enforcement. The rapid digitalization of financial systems without robust cybersecurity measures has amplified fraud risks. Audit failures and collusion between executives and auditors remain critical challenges.

From the analysis of various accounting scandals globally and in Nigeria, it is evident that urgent action is required to restore public trust and confidence in the accounting profession. These scandals consistently result in significant losses for shareholders and investors, often leading to business failures. In Nigeria, numerous organizations and banks have collapsed due to the looting and misappropriation of corporate funds by accountants and financial executives. This underscores the importance of ethics in accounting as a fundamental issue.

Supporting this claim, Swain et al. (2008) observed that *“Another environmental factor affecting accounting and business, in general, is the growing concern over ethics. This concern has been a focus of the accounting scandals of the early 2000s.”* These assertions highlight that ethics in the accounting profession is not merely a theoretical concept but a critical matter of concern in today’s business environment

Conclusion

This study, after conducting a historical analysis of major accounting scandals globally and in Nigeria, reveals that lack of ethics and conflicts of interest were key drivers behind these crises that destabilized the business environment. The findings underscore the urgent need to prioritize ethical integrity and professional standards within the accounting profession. As a field that the public heavily relies upon for financial services and investment decisions, accounting must uphold the highest ethical benchmarks to restore trust and confidence. To mitigate fraud risks, Nigeria must institutionalize forensic audit units, strengthen auditor independence, deploy technology-driven investigative tools, and enforce stricter regulatory compliance. Furthermore, the

mandatory integration of forensic accounting into audit processes is essential for sustainable corporate governance and fraud prevention.

Recommendations

To reduce accounting scandals to the barest minimum in Nigeria, the study recommends the following measures:

1. **Mandatory Forensic Audits**
Companies should be required to conduct forensic audits as part of their annual audit process, with findings disclosed to the public.
2. **Proactive Regulatory Frameworks**
Regulators across sectors should adopt forward-looking guidelines that align with global best practices and emerging trends.
3. **Technology Adoption and Cashless Economy**
Embrace modern technology and accelerate the transition from a cash-based economy to a fully cashless system to reduce fraud vulnerabilities.
4. **Centralized Professional Database**
Establish a national database for all practicing accountants. Erring professionals should be sanctioned and barred from future practice to uphold ethical standards and accountability.

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