

# Ethics and the future of the Accounting Profession in Ghana

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Mr. Chairman, Ghana Network Panel members colleagues and invited guests, I am honored to have been asked to give this keynote address on such important matters.

Mark Twain said, "It usually takes me more than three weeks to prepare a good impromptu speech." I got a week to prepare for this public scrutiny. What would happen if we said what was on our minds? I intend to say what is on my mind on some really important issues – ethics, the future and profession.

Ethics and the future of the profession is such a big topic that to make this manageable, I will focus on Ghana. The topic I am speaking on is "**Ethics and the future of the profession in Ghana**".

What I have been asked to do is help us to assess our readiness for the future, and the effect of ethics on our ability to perform as a profession. In this talk, I will first assess where we, as a profession, are, by comparing our profession to some key attributes of what makes a profession. I will use the UK accounting profession as a reference point. I shall then assess the current state of the profession and our readiness for future, and offer some recommendations.



## Importance of accounting

Accounting is important for the development of any society. We cannot build significant businesses, or manage a country without high quality accounting, auditing and financial management. For that, you need a competent and vibrant profession, that operates to high ethical and professional standards.

We are a key to wealth creation. Ghana desperately needs us. This is an important responsibility and we must take it seriously.

## How did the UK profession develop to become powerful and influential? What forces drove its development?

It all started with the industrial revolution in the UK in the 19th century. To build railroads and factories required vast amounts of capital. There was a demand for capital and skilled accountants. The accountants formed associations to advance accounting. The associations were the genesis of the profession as we know it today.

The factors that enabled the profession to develop and grow were:

### □ **Strong statutory framework**

In the 19th century, the UK government made it simple to register limited liability companies. To protect shareholders, it introduced measures such as presentation of balance sheets and audit. Through successive revision of the company laws, the UK strengthened the investor protection provisions of the law. The courts also played an active part in strengthening the institutional framework.

### □ **Involved professionals**

At that time accounting was learnt on the job. There was big demand for skilled accountants. They created firms to provide service. They also organized themselves into professional associations to develop and share knowledge, set standards of work and behavior, and to develop future accountants. They evolved, solved the many challenging problems posed by industry, trade and capital. They guided businesses to grow and have been on the forefront of developments in accounting.

## □ **Code of conduct**

The UK accountants understood that observing strong ethics was essential to their survival and growth. They developed codes of conduct and disciplined members who violated the codes of conduct.

# WHAT IS THE STATE OF THE GHANAIAN PROFESSION?

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The World Bank did diagnostic studies on the observance of codes and standards in the areas of corporate governance, and accounting and auditing in 2004 and 2014. The finding on the state of accounting and auditing for 2014 in Ghana was presented in report titled “Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC A&A).”

Some of the findings from the report are:

## **Statutory Framework**

- **Companies Act 1963** – the accounting and audit provisions have not been updated to reflect the adoption of IFRS, IFRS for SME and Micro-Sized Entities.

## Accountancy and Auditing profession

- The Audit Quality Monitoring Unit (AQM) ultimately reports to the ICAG Council. This kind of self-regulation presents limits in terms of protection of the public interest.
- ICAG must strengthen its capacity to fully meet the International Federation of Accountants (IFAC) Statement of Membership Obligation and assist in standard implementation activities.

## Accounting and auditing standards

- The Ghana National Standards was still an allowed financial reporting framework. Their continued application compromises the quality of financial reporting. (Note: Ghana has since then “adopted International Financial Reporting Standards.”)

## Ensuring compliance with Accounting and Auditing Standards

- All regulators, except for the Bank of Ghana, have weak capacity of different degrees to check compliance with laws and standards that define financial reporting in Ghana, and are fully relying on the quality of work performed by the external auditor.

The report did not address this important question - who monitors the big four? In my view, the Audit Quality Monitoring Unit (AQM) does not have the capacity to monitor the big four. It is not healthy for the accounting environment, for these significant players in the audit market to remain beyond scrutiny. The collapse of two banks, who were audited by a big four firm, should raise concerns about the lack of scrutiny of the big four.

## Ethical environment

The ethical environment can enable or hinder effective working of accountants. Do we have an environment that enables people and businesses to operate ethically? I will use Transparency International's Corruption Index to assess the ethical environment.

### Corruption index (source: TPI)

2017	2016	2015	2014
40	43	47	48

The trend suggests that from 2014 to 2017 corruption has worsened. Why is corruption a problem? In a blog titled "Cost of corruption – too big to ignore? PWC says "High levels of corruption act like an additional tax on businesses and so tend to increase the cost of doing business." <sup>1</sup>

Reacting to the news that Ghana had fallen 3 points on the index in 2017, Sir Sam Jonah said, "Corruption is corrosive and adds to the cost of business." <sup>2</sup>

A persistently corrupt environment is a canker, that over time, leads to an acceptance of lower standards of ethics. According to CA Australia and New Zealand, "Many people are strongly influenced by the expectations and reactions of their colleagues, clients and leaders. They may be conscious of these influences or they may unconsciously absorb the norms and standards of those around them." <sup>3</sup> More likely than not, they unconsciously absorb the norms and standards of those around them. In a persistently corrupt environment, the standards of ethics decline imperceptibly.

### The Ghana Profession, how do we measure against the qualities that drove the development of the UK accounting profession?

- **Statutory framework** – the accounting provisions of the company law have not been amended to reflect international financial reporting and auditing standards.

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<sup>1</sup> PWC, Cost of corruption – too big to ignore?  
<https://www.pwc.com/gx/en/issues/economy/global-economy-watch/cost-of-corruption.html>

<sup>2</sup> <http://ghananewsonline.com.gh/corruption-is-corrosive-and-adds-to-the-cost-of-business-sir-sam-jonah>

<sup>3</sup> Chartered Accountants Australia and New Zealand, A question of ethics navigating ethical failure in the Banking and Financial Services Industry.

- ❑ **Standard setting and application** – In theory, Ghana has adopted IFRS, International Audit Standards and International Ethic Standards. In practice, have we really adopted international standards? What is the mechanism for adoption? How is it disseminated? How are we educated about it? How is this enforced? The claim that we have adopted international standards is a grave deception that no serious country, or responsible professional accountants, should accept! Substance matters more than form.
- ❑ **Active involvement of accountants in developing the profession** – we do not have an active group of professionals involved in developing knowledge and systems to advance accounting. We are passive and not involved. What effect has the growing number of accountants had on business and the quality of accounting and audit services?
- ❑ **Enforcement of code of ethic** – we have almost non-existent or weak enforcement of code of ethics.

You judge for yourself. Do we really have a profession? The Ghanaian accounting profession is at present not ready for the future! As for the future, our attitude is “the future will take care of itself”. The future is already here with us, and will not take care of itself. At best, it will hurt us by making us irrelevant!

## ETHICS AND THE FUTURE OF THE PROFESSION IN GHANA

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The Ghanaian accounting profession is in a bad place. It is not ready for the present, much more the future. ACCA, in a report titled “Drivers of change and future skills”<sup>4</sup> identified these forces as the drivers of change that will most affect accountants:

- ❑ Regulation and governance
- ❑ Digital technologies
- ❑ Expectations on professional accountants to look beyond the numbers
- ❑ Globalization

This is consistent with the findings of other major accounting bodies and some of the world’s largest consulting firms.

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<sup>4</sup> ACCA.

The report also states that “the analysis suggests that to add value for employers and clients, professional accountants of the future will need an optimal and changing combination of professional competencies; a collection of technical knowledge, skills and abilities, combined with interpersonal behaviors and qualities”

The seven constituent areas of competency and skills are:

- 1. Technical skills and ethics** – the skills and abilities to perform activities consistently to a defined standard while maintaining the highest standards of integrity, independence and skepticism.
- 2. Intelligence quotients** – the ability to acquire and use knowledge – thinking, reasoning and solving problems.
- 3. Creative** – the ability to use knowledge in a new situation, to make connections, to explore potential outcomes, and generate ideas.
- 4. Digital** – the awareness and application of existing and emerging digital technologies, capabilities, practices and strategies.
- 5. Emotional intelligence** – the ability to identify your own emotions and those of others, harness and apply them to tasks, and regulate and manage them.

**6. Vision** – the ability to anticipate future trends accurately by extrapolating existing trends and facts, and filling in the gaps by thinking innovatively.

**7. Experience** – the ability and skills to understand customer expectations, meet desired outcomes and create value.

We will need strong ethical values because technology will throw up serious ethical challenges. “The ability to act ethically at all times is essential for a finance professional at all times” <sup>5</sup>

Are we ready for the future? Ghana is not ready for the disruption that technology brings, although disruption is here with us. I feel sometimes, that the Ghanaian accounting professional is unaware, or does not believe that technological developments pose a mortal danger to the careers and livelihoods. If they don't believe that, they should ask the many cash counters, that the Ghanaian Banks employed, about the impact of the cash counting machine on their employment. The banks didn't need an army of them.

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<sup>5</sup> Rob Ward and Alan Hatfield, The Only Way is Ethics, ACCA Accounting Futures Edition 15

There will continue to be demand for accounting, assurance and the many other services that technology will create. **Will Ghanaian Accounting Professionals be the ones providing the services in the future?** I am worried that, unless we raise our game, the Ghanaian accounting professionals may not be the ones providing many of those services.

### **What must we do as the Ghana Panel, ACCA members and Chartered Accountants to build a vibrant and relevant profession?**

We, ICAG, ACCA and CIMA, are in this together. We win together or we lose together. It is not an "I win, you lose situation". We must put the public interest first. We must accept that the future requires different skills. It will require our combined technical and financial resources to begin to move us to a better place.

#### **1. Financial Reporting Council**

Unless we resolve the ambiguity surrounding the standard setting and adoption process, Ghanaian accounting will not improve. Standards backed by strong enforcement is a precondition for improving the quality of accounting and auditing.

We must support and lobby government to create this body. We should agree to contribute towards funding it. Why? Standard setting is an expensive venture. We must also accept that self-regulation by the profession is not effective in protecting the public interest.

This is what the British Accounting bodies did when they realized the standard setting process they had created had real weaknesses. A committee was set up under the chairmanship of Sir Ron Dearing, which considered **that the ASC's main weaknesses were that it was not independent of the professional accountancy bodies, that it was not adequately resourced, and it could not effectively enforce its standards.** Dearing proposed an independent Financial Reporting Council (FRC), which would be responsible for generating the necessary financial support for the standard-setting body. <sup>6</sup>

Nigeria and Kenya have created Financial Reporting Councils. Their standard setting process has improved as result. Ghana, as a matter of urgency, must create a Financial Reporting Agency or similar authority to improve standard setting and monitoring.

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<sup>6</sup> Christopher Napier, The History of Financial Reporting in the UK, University of London

## 2. Accountants get actively involved!

The British did not build the profession on indifference and noninvolvement. It was developed with the active involvement of the members. We cannot develop a profession on indifference and looking to others to do that for us.

So, what can we do? We can form interest groups, and together learn and share experiences to improve ourselves, as the UK profession did. The ACCA has the resources to help. We need to organize to tap into ACCA's resources.

## 2. Improve yourself

Nobody owes you a career. You owe it to yourself. Assess yourself against the skills and competencies that have been identified. Take responsibility. There is absolutely no reason why you should not be able to develop skills with the abundance of blogs, webinars, videos and online courses. Your future is at risk if you don't act now! A word of warning to the younger accountants, unless you improve your skills and get comfortable with technology, you will not have a rewarding career for too long.

# Conclusion

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The future this time is different. I have talked earnestly about some big issues – ethics, future and profession. We must confront the issues, take responsibility and act with urgency. We are so vital to wealth creation that we must wake up, and take our responsibility seriously.

Unless we raise our ethical standards, and act to build the skill identified by ACCA, we will not have a profession in the future. I urge the Government of Ghana to take up its responsibility in this important public interest matter.

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