

Book Review

Ethics and the Professional Accounting Firm: a Literature Review. Aileen Pierce. The Institute of Chartered Accountants of Scotland, 2006. xiii+185pp. EAN 9781904574246

This literature review was written and prepared by Dr Aileen Pierce of University College Dublin. It represents the third in a series of works commissioned by the Institute of Chartered Accountants of Scotland under the general rubric of *Taking Ethics to Heart*. This new volume is particularly welcome because the activities of professional accounting firms continue to be questioned and scrutinised by a variety of different parties including governmental regulators as well as the general public. Regulatory and professional bodies in more than one country have sought to reassure the public about the integrity of auditors and auditing firms, particularly with respect to restoring and maintaining confidence in the reliability of information provided to the capital markets.

This book identifies a number of issues dealing with the ethical practices of professional accounting firms. In the first chapter of the book, there is a discussion of the literature pertaining to professions and professionalism in general, and specifically with regard to professional accountancy. The literature suggests that a growing commercial orientation and entrepreneurial attitude within professional accounting firms appears to be exerting pressures on traditional professional values, thereby questioning the profession's commitment to such values.

Chapter two reviews the literature on professional ethics and the role of ethical codes in professional accountancy. This literature emphasises the potential consequences of accounting firms losing public trust and discusses the challenges faced by accounting practitioners when responding to commercial opportunities.

Chapter three discusses the ethical dilemmas and challenges experienced by accounting firms; with particular emphasis on those aspects of accounting firm activities that have been criticised in the wake of the financial and accounting scandals of recent years. The chapter concludes that more effort is needed to restore public confidence in the accounting profession and accounting firms.

In the final chapter, the book summarises the overall findings of the literature review. The literature suggests that the tensions created by profes-

sional accounting firms' pursuit of growth and profit have undermined traditional professional values. The author concludes that the organised accounting profession needs to label certain practices of accounting firms as unethical and to impose penalties that will act as deterrents to unethical practices. The author argues that the hallmark of a profession rests in the capacity of its members to exercise good judgment and that integrity must take precedence over rules in order to ensure that ethical judgments prevail. In addition the author identifies the need for further research to help inform and develop accounting firm and professional body strategies. This will require access to accounting firm personnel at all levels and to firms' policies and procedures. Questions that need to be addressed include: how does an accounting firm's culture develop?; what determines a 'good' or 'bad' accounting firm culture?; is zero-tolerance for unethical behavior in accounting firms reasonable?; and can the focus on commercial success by professional firms be reconciled with high moral standards?

My overall assessment of this work is that it is an important and useful addition to the literature on accounting ethics. The work can be used both by practicing accountants and by accounting educators to enhance their knowledge of the ethical practices and behaviours of professional accounting firms. It is a very well done effort, and both the author and the ICAS are to be congratulated.

That being said, the remaining observations which I may be able to offer about this work are somewhat more critical, not because the author's efforts have not been diligently and competently done, but due to certain assumptions which appear to underlie the work, namely that professionals and professional firms are different from other occupations in society. This is a contested concept which needs to be unpacked and discussed. Although it is reasonably clear that in both Scotland and England, and perhaps in certain other countries which share the British heritage, the public accounting profession was initially based on a shared set of professional values, it must now be recognised that these professional values were largely a product of a particular time and place; namely, Victorian Britain in the 19th century, when the notion of a 'gentleman professional' was a concrete ideal to be aspired to. This ideal no longer exists and probably has not existed for at

least half a century. Thus the question which the author raises at the very end of the book, as to whether there is a difference between a profession and an industry in the 21st century, is probably meaningless for several reasons.

First, it is not at all clear that society as a whole has ever entered into an agreement with certain occupational groups pursuant to which the occupational group agreed to maintain certain ethical standards in exchange for a monopoly of practice in certain areas. In the UK, this apparent social agreement was largely the result of political manoeuvring on the part of organised groups in order to obtain royal prerogatives. There was little democratic involvement in the granting of these privileges, and certainly the public as a whole was not consulted. In the US, the certified public accounting profession similarly achieved a monopoly of practice in company audits largely as a result of political manoeuvring.

Second, there is only one professional activity, at least in the US, pursuant to which professional accounting firms have a monopoly of practice, namely company auditing. In all other areas of accounting practice, professional accounting firms are simply engaged in an industry like any other, and this has been true for years. Thus, the commercial attitudes of accounting firms are neither surprising nor unexpected.

Third, it is questionable that there is such a thing as the 'public interest' which professional account-

ants have agreed to serve. What is the public interest function of professional accountancy? Some would argue that it is to provide reliable financial information for decision making in capital markets; surely an important function. What must be recognised, however, is that the overwhelming importance of public accounting for well functioning capital markets relegates activities that do not serve the needs of the capital markets to secondary importance. Merely asserting that there is such a thing as a general 'public interest' function for public accounting does not make it so.

Fourth, in the current state of global civilisation where there are growing levels of ethnic, racial and religious diversity, to suggest that there may be ways of institutionalising 'moral character' has relatively little meaning. Whose moral character are we speaking of? Because there is no agreed upon definition of 'moral character', seeking to institutionalise such a concept would appear to be a difficult task.

A more pragmatic course would be to define clearly what functions a professional accounting firm would be expected to perform, as well as the parameters of performing these functions, and then to hold the firm legally responsible (not ethically or morally responsible) for fulfilling these functions in a competent and thorough manner.

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