

Beat: Business

Corruption by Professionals

Consequences of bad auditing!!

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USPA NEWS - Professionalism is defined as the aims and qualities that characterize a profession or professional person. Auditors must comply with high standards of honesty, integrity, work ethics, diligence, loyalty and commitment.

Given the vast scale of recent auditors scandals and their devastating effects on works and investors, it's not surprising that the government and public assume that the underlying problems are corruption and criminality. Unethical accountants falsifying numbers to protect equally unethical clients.

The most obvious effect of political corruption is a loss of public esteem for politicians and political life. The cynical view that "politics is a dirty business" becomes a reality; people enter politics not from a sense of public service but in pursuit of personal power and advancement. If left unchecked, corruption weakens the very structures of an organized society as it undermines the forces of law and order, and reduces public morale. In the long run, both economic and political developments become crippled.

During the audit process, after auditors have identified serious violations of which the company is also aware, some companies will offer bribes in order to pass the audit and some auditors will accept the bribes. This transaction can also take place at the very beginning of the audit.

Auditors who accept bribes will either conceal serious violations in the audit report or deliberately record only surface evidence of compliance. Of course, auditors will also often record minor violations in the report. The size of bribes that auditors accept range from 5,000-25,000\$ US depends on profit or company level and /or type; private/government etc.. of course.

The impact on business and the wider society is even greater as it diverts resources from productive to unproductive sectors, and makes a few rich at the expense of others. Corruption also undermines institutions and redistributes wealth to the undeserving.

This disease increases risks and costs to business, damages investor confidence and stifles economic growth. Corruption acts as a strong deterrent to foreign direct investment and forces investors to form joint ventures with local companies. But this may discourage high-tech firms from investing overseas, since businesses with more complex outputs tend to want to retain full control over production processes as noted in a recent study by economists from the World Bank and the Brookings Institution think-tank in Washington, D.C.

In conclusion; Even if only one or a few auditors at each major audit company ignore ethical requirements and not the majority, this article demonstrates that these incidents are never isolated. A single auditor audits over 100 companies per year. If an auditor is found to engage in corrupt behavior once, it is unlikely that they are seriously committed to ethical standards at other times. Therefore, the dozen or so auditors that will identified as engaging in corrupt behavior in this article could influence tens or hundreds of companies (employing thousands or tens of thousands of workers). So, it depends on how we define corruption!! If we define corruption as creating false audit report for a bribe without looking at company at all - then answer is no. If we define corruption as bending moral and audit rules to earn higher fee or win big client - then answer is yes!!!

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