

MEMBERS JOURNAL

THE PROFESSIONAL ACCOUNTANT
OCTOBER/DECEMBER 2020



THEME:
Promoting the
Integrity of the
Accounting Profession:
**THE ROLE OF THE
PROFESSIONAL
ACCOUNTANT.**



THE PROFESSIONAL ACCOUNTANT

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OCTOBER/DECEMBER, 2020**

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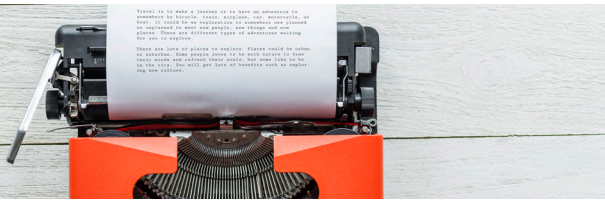
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EDITORIAL



Climate change is an area of increasing concern and priority for investors and affects how investors perceive climate-related risks in the entity's financial statements. Climate change is a topic which is increasingly in front of mind for investors and other stakeholders as the effects of climate change are increasingly visible because climate change has the potential to impact an increasing number of entities of all nature and sizes. Today climate change affects businesses in various industries as global and local policy actions around climate change continue to evolve and given the growing demand by investors for climate-related information for their economic decision making. The writer highlights areas of focus related to the consideration of climate-related risks when conducting an audit of financial statements in accordance with the International Standards on Auditing (ISA).

Money laundering has a corrosive effect on a country's economy, government, and social well-being. It has potentially devastating economic, security, and social consequences. It provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. Crime has become increasingly international in scope, and the financial aspects of crime have become more complex due to rapid advances in technology and the globalisation of the financial services industry. The writer highlights the devastating effects of illicit fund flows to an economy and suggests what can be done stop this menace from the society.

The idea behind taxing windfall income is greatly influenced by Wealth Creation and the concept of Income. Income Tax is based on Income but Parliament all over the world, when

making tax laws fail to define clearly what is Income, and instead, left the word to judicial and administrative branches of government to thrash out the

meaning of Income. Maybe the word does not lend itself for easy definition and any attempt to define income will lead to so many things being left out (to define something means to set the precise boundaries of the thing). Accountants, economist, and lawyers normally disagree on what exactly constitute income. But in spite of the unclear definition of Income, we can know it when we see it. The article talks about windfall income and how it can be taxed to raise enough money to support the developmental agenda of the government.

Welfare fund for ICAG Members are increasingly becoming important. As the main drivers that ensure proper functioning of the country's finances, our welfare is equally paramount, to enable us perform these functions with the needed integrity. Professions which have welfare benefits for their members, people use it as a source of respite to work fearlessly with no threat of intimidation. Irrespective of how it is conceptualised and contextualised, without the Members taking and performing the key roles and responsibilities, ICAG would be short lived. We must remember that Members keep the Institute running by giving time and skills to its development. It is therefore time for us to seek Members welfare. We need a welfare fund to promote solidarity and mutual cooperation among members, assist and support members who later turn vulnerable whether through retrenchment, dismissal or inability to work, sometimes due to natural factors. This development of welfare is indeed a watershed in the evolution of many professions, of which the accountancy profession cannot be left out. The writer suggests that welfare of Members is essential and it is incumbent on Council to come out with a welfare fund so that we will contribute into it for our own benefits.

These and many more others are presented in this edition. You may submit your comments and contributions on this edition to: ofori.henneh@icagh.com or abigail.armah@icagh.com



IFAC NEWS

IAASB Approves Three Quality Management Standards

The International Auditing and Assurance Standards Board (IAASB) approved three quality management standards in September 2020, subject to the final approval of the Public Interest Oversight Board. The standards raise the bar for firms by incorporating a proactive and risk-based approach to how firms enable the consistent performance of quality engagements through their systems of quality management. The standards also deepen the engagement partner's responsibility for audit quality at the engagement level, and include improvements related to engagement quality reviews.

Quality Management at Firm Level - ISQM 1

The objectives of this project are:

- Enhancing the robustness of firm's systems of quality control through various means, including:
 - introducing a more proactive and tailored approach to managing quality.

- increasing firm leadership responsibilities and accountability, and improving firm governance.
- more rigorous monitoring of systems of quality control and more effective remediation of deficiencies.
- Modernizing the standard for an evolving and increasingly complex environment, including addressing
- the impact of technology, networks, and use of external service providers.
- Improving the scalability of the standard.

The Board approved ISQM 1 as a final standard. Firms will be required to design and implement systems of quality management in compliance with ISQM 1 by December 15, 2022. Subject to Public Interest Oversight Board's (PIOB) confirmation that due process was followed, the Board will formally release the standard.

In finalizing ISQM 1, the Board considered how to enhance the focus on the public interest and consistent performance of quality engagements in the context of the objective of the standard, and discussed clarifications relating to human resources and external communications. The Board also suggested a number of areas that should be emphasized in the basis for conclusions.

Engagement Quality Reviews - ISQM 2

The objective of this project is to enhance the requirements and application material in relation to the firm's engagement quality reviews (EQRs), including:

- setting more robust criteria for firms to apply when determining which engagements should be subject to an EQR;
- establishing the objective of an EQR;
- clarifying the nature, timing and extent of the EQR; and
- enhancing the requirements for the eligibility of the individuals who perform the review.

In doing so, consideration will also be given to maintaining the appropriate balance between the respective roles and responsibilities of the engagement quality reviewer and the engagement partner who retains overall responsibility for the engagement.

The ISQM 2 Task Force updated the Board about the IESBA Engagement Quality Reviewer (EQR) Task Force's proposed revisions to the IESBA Code addressing the objectivity of EQRs. The Board agreed that the proposed revisions to the IESBA Code addressing the objectivity of appropriate reviewers align with the provisions relating to the objectivity of EQRs in proposed ISQM 2. The Board approved ISQM 2 as a final standard, which will be effective on December 15, 2022. Once the PIOB's confirmation that due process was followed is received, the Board will formally release the standard.

The Board also received an update on the approval of the proposed revisions to the IESBA Code addressing the objectivity of engagement quality reviewers and acknowledged the coordination efforts between the two Boards.

Quality Management At Engagement Level - ISA 220

The objectives of the project are to:

Propose revisions to International Standards on Auditing (ISA) 220 to strengthen aspects of quality management for individual engagements by focusing on the identification, assessment and response to quality risks in a broad range of engagement circumstances.

Propose consequential amendments to other standards that may be necessary as a result of revisions to ISA 220.

Determine whether non-authoritative guidance and support tools should be developed by the IAASB or others to supplement the revisions or new standard(s).

The Board approved ISA 220 (Revised), which will be effective for audits of financial statements for periods beginning on or after December 15, 2022. The formal release of the standard is subject to PIOB's confirmation that due process has been followed.

In finalizing the standard, the Board focused on clarifying the engagement partner's responsibilities, the scalability of the standard, and the linkages with ISQM 1.

Source: www.iaasb.org/consultations-projects/quality-management-firm-level-isqm-1

The Consideration of Climate-Related Risks in an Audit of Financial Statement

This publication has been prepared by staff of the International Auditing and Assurance Standards Board (IAASB) to highlight areas of focus related to the consideration of climate-

related risks when conducting an audit of financial statements in accordance with the ISA. This publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading this publication is not a substitute for reading the ISAs.

What Is the Purpose of this Publication?

This Staff Audit Practice Alert is intended to help auditors understand what already exists in the ISAs today and how that material relates to the auditor's consideration of climate-related risks in an audit of financial statements. Climate change is an area of increasing concern and priority for investors which may affect how investors perceive climate-related risks in the entity's financial statements.

Focus on Climate Change

Climate change is a topic which is increasingly front of mind for investors and other stakeholders as the effects of climate change are increasingly visible and because climate change has the potential to impact an increasing number of entities of all nature and sizes. Today climate change affects businesses in various industries as global and local policy actions around climate change continue to evolve and given the growing demand by investors for climate-related information for their economic decision making. For example, climate related events or conditions may impact an entity in terms of its business model, its operations and processes, and its ability to raise finance or attract investment and customers. While the phrase 'climate change' does not feature in the ISAs, the ISAs require that the auditor identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

to provide a basis for the auditor's opinion. Depending on the facts and circumstances of an entity, climate-related events or conditions may contribute to the susceptibility to misstatement of certain amounts and disclosures in an entity's financial statements. The term "climate-related risks" is used in this Staff Audit Practice Alert for ease of reference.

Source:

www.iaasb.org/publications/considerations-climate-related-risks-audit-finacial-statement

IESBA Seeks Stakeholder Input on Key Ethical Questions Arising from Technological Developments

The IESBA's Technology Task Force seeks your view about dealing with the threats created by complexity in the professional environment.

As part of its Technology Project, the IESBA is considering proposals to revise the IESBA Code of Ethics for Professional Accountants (including the International Independence Standards) (the Code). The project is intended to respond to the transformative effects of technology and the Project Proposal was informed by the December 2019 IESBA Technology Initiative, Final Report, which sets out seven recommendations, including specific areas for enhancements to the Code. Professional accountants today find themselves working in a complex operational, legal and regulatory environment, brought on by, amongst other factors, the impact of new technologies. The purpose of this survey is to solicit input to inform the IESBA's activities and future deliberations in relation to revising the Code to more effectively deal with the complexity of the professional environment.

Because the stages of implementation of the Code may vary by jurisdiction, the survey is designed to allow respondents to respond based on their circumstances and experience.

All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the Technology Task Force. The responses received will be summarized (in various ways, including, for example by stakeholder group) for purposes of progressing the IESBA's technology project, including providing feedback to the IESBA and in developing recommendations for possible further actions. Although the results of the survey may be made public through issues papers and related materials that may be tabled for the IESBA's consideration in plenary session, and summarized in a report back to stakeholders, there will be no attribution of responses to any individual respondent. This survey seeks your views on:

The elements of complexity in the professional environment

- Whether the Conceptual Framework in the Code appropriately addresses complexity
- Whether, and if so how, the Code should be amended to incorporate complexity

Please contact Kam Leung (kamleung@ethicsboard.org) for any questions.

Source:

<https://www.surveygizmo.com/s3/5963542/Complexity-in-the-professional-environment>

www.iesba.org/communications

Ian Carruthers to Continue Leading IPSASB through 2024

The International Public Sector Accounting Standards Board (IPSASB) is pleased to announce the re-appointment of its independent Chair, Ian Carruthers, for a third term through 2024.

Mr. Carruthers will continue to lead the Board as it continues to focus on delivering high-quality financial reporting standards for the

public sector, inspiring their implementation, and, thereby, strengthening public financial management globally. In the coming four years, he will continue to advance the Board's ambitious standard-setting agenda while remaining responsive to emerging stakeholders needs and building on the current implementation momentum.

"There have been few times in history when public sector accountability has been more important than now, as governments worldwide face the huge economic challenges arising from COVID-19," said Mr. Carruthers. "With many pivotal initiatives on our agenda now and in the next few years, as well as the building implementation momentum globally, I look forward to continuing to lead the IPSASB in serving the public interest, and helping governments to address these challenges effectively and transparently. In doing so, it is a pleasure to work with such a talented Board and staff, and to benefit from the ongoing advice from both IPSASB's Consultative Advisory Group, and the Public Interest Committee."

"As the global standard setter for public sector accounting, the IPSASB must continually challenge what it does, and how it delivers timely, relevant and high-quality international standards. Mr. Carruthers' reappointment assures continuation of the IPSASB's strong track-record under his leadership," said James Gunn, Managing Director, Professional Standards.

Mr. Carruthers was initially appointed as IPSASB Chair in 2016. His current term ends in 2021, and his re-appointment is for a final term ending on December 31, 2024.

Source:

<https://www.ipsasb.org>

ICAG NEWS TIT BITS

2020 Second Induction Ceremony

The Institute has held its second Induction Ceremony for 315 qualified accountants who passed the July examination diet. 122 professional accountants from other professional bodies seeking membership with the Institute also joined the Course, as well as 9 from ATSWA graduates. A total of 446 qualified accountants were inducted. The two-day virtual event was held on 12th and 13th November, 2020 chaired by ICAG



President, Prof. Williams Atuilik

In his welcome address, the President congratulated the inductees for enduring the rigorous professional examinations against

all odds and emerging with flying colours. He admonished them to be hardworking and carry themselves with confidence and ensured they worked with integrity. The President charged the inductees to always ensure they represent the interest of their employers and not undermine the trust reposed in them. He advised them to exhibit professionalism and good ethical principles in all their endeavours while standing by the truth. This in the long term will positively impact the image of the Institute.

The guest speaker for the occasion was Mr. Vish Ashiagbor, Senior Country Partner, PwC. He also congratulated the inductees for their achievements and urged them not to see this feat as an end but rather, to consider this as the beginning of their career. He admonished them to use their qualifications to contribute to the development of society, challenging them to take their time to learn on the job as they developed their career. They must understand what it means to be a professional or belong to a professional body, adding that professionalism goes beyond academic or professional knowledge. Vish urged them to strive to enhance their technical competency, practical training and ethical knowledge to complement the academic knowledge they may have acquired; being mindful of how they conduct themselves and impact the society.

Mr. Ashiagbor charged the inductees to cultivate essential values such as integrity,

competence and versatility. They must keep abreast with knowledge acquisition and embrace information technology as a driving force in the world economy. He advised the inductees to pay close attention to the activities organized by the Institute that serve to shore-up their competencies such as the public lectures, CPDs, and faculties. He added that mentoring and coaching were essential elements they require to groom them further to make progress in their profession, emphasizing on the essence of networking with the senior members of the Institute and at their work places in this effort.

He concluded by outlining the benefits of being a chartered accountant and the impact on the fortunes of the nation and society as a whole.

The other facilitators during the two-day event included Professor Kwame Adom- Frimpong who presented on the Chartered Accountant

Act 1963, Act 170, the last presentation on this Act in the wake of the new bill that has since been passed by Parliament, awaiting presidential assent.

Mrs. Comfort Ocran spoke on the topic, Personal Branding and grooming, while Ms. Gifty Ofori delivered her presentation on Public Speaking. Mr. Kwadwo Mpeani Brantuo spoke on the Code of Ethics for Professional Accountants. Other areas covered as part of the Course, included the history of ICAG, structure, programmes, and activities by Mr. P. Kwasi Agyemang, CEO, Health and Nutrition, by Dr Ama Boohene-Andah, Talent Management, by Rev. Michael Asiedu-Antwi, and Stress Management, by Dr Mathew Kwame Adusei.

Below are pictures of facilitators at the two-day virtual Induction Course.



Vish Ashiagbor, Country Senior Partner
Guest Speaker, Opening Ceremony



Mr. P. Kwasi Agyemang, CEO (Speaker)



Prof. Kwame Adom-Frimpong, Speaker



Mr. Kwadwo Mpeani-Brantuo, Speaker



Mrs. Sena Dake Anapey, Vice President
Chairman, Day 2



Mrs. Comfort Ocran, Speaker



Ms. Gifty Ofori, Speaker



Dr. Ama Boohene-Andah, Speaker



Rev. Michael Asiedu-Antwi, Speaker



Dr. Mathew Kwame Adusei, Speaker



FEATURES

Devastating Effects of Money Laundering on an Economy

By Julius Opuni Asamoah (BSc MBA CA)

Money laundering has a corrosive effect on a country's economy, government, and social well-being. It has potentially devastating economic, security, and social consequences. It provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. Crime has become increasingly international in scope, and the financial aspects of crime have become more complex due to rapid advances in technology and the globalisation of the financial services industry. Money laundering is the criminal's way of trying to ensure that, in the end, crime pays. It is necessitated by the requirement that criminals, be they drug traffickers, organised criminals, terrorists, arms traffickers, blackmailers, or credit card swindlers, disguise the origin of their criminal money so they can avoid detection and the risk of prosecution when they use it. Money laundering is critical to the effective operation of virtually every form of transnational and organised crime.

The term money laundering is said to have originated from the mafia ownership of Laundromats in the United States. The

mafia earned huge amounts from extortion, gambling etc. and showed legitimate source, such as Laundromats, for these monies. The goal of a large number of criminal acts is to generate profits for the individuals or groups that carry out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source. Practitioners are of the view that money laundering is the participation in any activity that seeks to acquire, possess, use, convert, transfer, conceal or disguise the true nature, origin, location, disposal, movement or ownership of assets, in the knowledge that such assets are derived from criminal activity or from participation in criminal activity.

Money laundering is a process by which the illicit source of assets obtained or generated by criminal activity is concealed to obscure the link between the funds and the original criminal activity. In other words, money laundering is the process in which the proceeds of crime are transformed into ostensibly legitimate money or assets. It is about the act of transferring illegally obtained money through legitimate people and/or accounts so that its original source cannot be traced. It involves the introduction of assets derived from illegal and criminal activities into the legal financial system and business cycle. These predicate offences

have been explained to include drug trade, child trafficking, forgery of money, organised crime etc. Money laundering exploits the vulnerabilities in financial systems that allow for an inappropriate level of anonymity and non-transparency in the execution of financial transactions. Money laundering activities disguise, mask, masquerade and conceal the source and/or true nature of money obtained through illegal means.

In Ghana, Anti-Money Laundering Act 2008, (Act 749), Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and Anti-Money Laundering Regulations, 2011 (L.I.1987) are the established legal frameworks designed to prohibit money laundering. Money laundering, terrorist financing and the proliferation of weapons of mass destruction (ML/TF&P) are threats which have the potential to adversely affect Ghana's reputation and financial sector.

Modern financial systems, in addition to facilitating legitimate commerce, also allow criminals to order the transfer of millions of dollars instantly using personal computers and satellite dishes. Because money laundering relies to some extent on existing financial systems and operations, the criminal's choice of money laundering vehicles is limited only by his or her creativity. Money is laundered through currency exchange houses, stock brokerage houses, gold dealers, casinos, automobile dealerships, banks, insurance companies, and trading companies.

Private banking facilities, offshore banking, free trade zones, wire systems, and trade financing all can mask illegal activities. Money launderers often use off-shore banks, or banks in other countries, to avoid detection in their own country. In years past, Switzerland was often considered an ideal source for storing laundered money. Due to pressure by the US government, however, it is now easier to keep watch over transactions that occur at Swiss banks. In doing so, criminals manipulate financial systems in a country and abroad.

Money laundering, if unchecked, can erode the integrity of a nation's financial institutions.

Due to the high integration of capital markets, money laundering can also adversely affect currencies and interest rates. Ultimately, laundered money flows into global financial systems, where it can undermine national economies and currencies. Money laundering is thus not only a law enforcement problem, it poses a serious national and international security threat as well.

Money laundering is a problem not only in the world's major financial markets and offshore centres, but also for emerging markets. Indeed, any country integrated into the international financial system is at risk. As emerging markets open their economies and financial sectors, they become increasingly viable targets for money laundering activity. Increased efforts by authorities in the major financial markets and in many offshore financial centres to combat this activity provide further incentive for launderers to shift activities to emerging markets. There is evidence, for example, of increasing cross-border cash shipments to markets with loose arrangements for detecting and recording the placement of cash in the financial system and of growing investment by organised crime groups in real estate and businesses in emerging markets. Unfortunately, the negative impacts of money laundering tend to be magnified in emerging markets.

In Year 2018, Bank of Ghana (BoG), in the light of its enforcement and supervisory objectives and policies, and Financial Intelligence Centre (FIC) issued out administrative sanctions and penalties to be applied on banks which will breach the requirements in the AML/CFT acts, regulations and guidelines. According to Ghana's Business News dated, 2nd July Year 2020, the Securities and Exchange Commission (SEC) has issued a new directive to the capital market in line with its efforts to strengthen adherence to guidelines on AML/CFT. This is vital, in the fight against terrorism and all other criminal activities in Ghana.

The fact is, money launderers use three main steps to introduce laundered funds into the financial or economic system. Placement is the first step used by money launderers

to introduce illegal cash into a financial or any other economic system. At this stage, the launderer inserts the dirty money into a legitimate financial institution. This is often in the form of cash bank deposits. Generally, this stage serves two purposes; one, it relieves the criminal of holding and guarding large amounts of bulky of cash; and two, it places the money into the legitimate financial system. Layering is another process used by money launderers to conceal their illegal funds. It involves a process of separating the tainted funds from their source, often by using anonymous companies to conceal, camouflage or disguise the illegal source of the money, funds or cash. This stage in the money-laundering process entails the transfer of funds between different locations and the continuous conversion of these funds from one type of instrument to another. During the layering stage, the funds or instruments are distributed through the financial system by using a series of transactions including electronic wire transfers, false invoicing, and fictitious import and export transactions. Lastly, integration is also a process used by money launderers to introduce their funds into the financial or economic system. This integration process is a situation whereby the tainted money is returned to the criminal from legitimate-looking source to appear as though genuine. This practically involves acquiring wealth generated from the transactions of illicit funds. This is accomplished through the purchase of assets, such as real estate, securities or other financial assets, or luxury goods.

There are a number of economic effects of money laundering on a country's economy. These are damaging adverse effects including, undermining the legitimate private sector. One of the most serious microeconomic effects of money laundering is felt in the private sector. Money launderers often use front companies, which co-mingle the proceeds of illicit activity with legitimate funds, to hide the ill-gotten gains.

Money laundering also undermines the integrity of financial markets. Financial institutions that rely on the proceeds of crime have additional challenges in adequately managing their

assets, liabilities, and operations. For example, large sums of laundered money may arrive at a financial institution but then disappear suddenly, without notice, through wire transfers in response to non-market factors, such as law enforcement operations. This can result in liquidity problems and runs on banks. Indeed, criminal activity has been associated with a number of bank fraud especially internet fraud in the banking system.

Money laundering brings about loss of control of economic policy. The magnitude of money laundering is a drain on a country's Gross Domestic Product (GDP). Such illicit proceeds could dwarf government budgets, resulting in a loss of control of economic policy by governments. Money laundering can also adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher. And money laundering can increase the threat of monetary instability due to the misallocation of resources from artificial distortions in asset and commodity prices. In short, money laundering and financial crime may result in inexplicable changes in money demand and increased volatility of international capital flows, interest and exchange rates.

The unpredictable nature of money laundering, coupled with the attendant loss of policy control, may make sound economic policy difficult to achieve. Furthermore, money laundering easily causes economic distortion and instability. Money launderers are not interested in profit generation from their investments but rather in protecting their proceeds. Thus they invest their funds in activities that are not necessarily economically beneficial to the country where the funds are located. Money laundering and financial crime redirect funds from sound investments to low-quality investments that hide their proceeds, therefore, economic growth can suffer. In some countries, for example, entire industries, such as construction and hotels, have been financed not because of actual demand, but because of the short-term interests of money launderers. When these industries no longer suit the money launderers,

they abandon them, causing a collapse of these sectors and immense damage to economies that could ill afford these losses.

Out of the prevalence of money laundering, there could be loss of revenue to the government. Money laundering diminishes government tax revenue and therefore indirectly harms honest taxpayers. It also makes government tax collection more difficult. This loss of revenue generally means higher tax rates than would normally be the case if the untaxed proceeds of crime were legitimate.

Another resultant effect of money laundering is the risk it poses to privatisation efforts. Money laundering threatens the efforts of many states to introduce reforms into their economies through privatisation.

Criminal organisations have the financial wherewithal to outbid legitimate purchasers for formerly state-owned enterprises. While privatisation initiatives are often economically beneficial, they can also serve as a vehicle to laundered funds. In the past, criminals have been able to purchase marinas, resorts, casinos, and banks to hide their illicit proceeds and further their criminal activities.

Moreover, money laundering breeds reputational risk for a nation. Nations cannot afford to have their reputations and financial institutions tarnished by an association with money laundering, especially in today's global economy. Confidence in markets and in the signalling role of profits is eroded by money laundering and financial crimes such as the laundering of criminal proceeds, widespread financial fraud, insider trading of securities, and embezzlement. The negative reputation that results from these activities diminishes legitimate global opportunities and sustainable growth while attracting international criminal organisations with undesirable reputations and short-term goals. This can result in diminished development and economic growth. Once a country's financial reputation is damaged, reviving it is very difficult and requires significant government resources to rectify a problem that could be prevented with proper anti-money-laundering controls.

There are significant social costs and risks associated with money laundering. Money laundering is a process vital to making crime worthwhile. It allows drug traffickers, smugglers, and other criminals to expand their operations. This drives up the cost of government due to the need for increased law enforcement and health care expenditures, for example, for treatment of drug addicts, to combat the serious consequences that result.

Among its other negative socio-economic effects, money laundering transfers economic power from the market, government, and citizens to criminals. The sheer magnitude of the economic power that accrues to criminals from money laundering has a corrupting effect on all elements of society. In extreme cases, it can lead to the virtual take-over of legitimate government.

Overall, money laundering presents the world community with a complex and dynamic challenge. Indeed, the global nature of money laundering requires global standards and international cooperation if we are to reduce the ability of criminals to launder their proceeds and carry out their criminal activities. As the terrorist activity is growing, the dangerousness of global terrorism has become more and more year after year. The terrorist attack on the 4th of January 2020, on a school bus convoy in the Sourou Province of Burkina Faso, killed 14 people, including seven school children. "Whenever a Burkinabe is killed because of a terrorist act, we feel it with the same pain that every mother, every father, every person feels when they lose a loved one," Burkinabe President Roch Marc Christian Kaboré said in a statement. No country will remain safe from terrorism in the world. The question is, from where do they receive money and finance these civil attacks in different countries in the world? Of course the answer is money laundering, illicit business, and thousands of criminal activities.

To conclude, money laundering is a way for criminals to hide the cash proceeds of their illegal schemes. This practice is a criminal act, therefore, we should all embark upon increasingly suspicious transactions reporting.

Bank employees should be encouraged and mandated to immediately report all suspicious transactions for further investigation and report to the FIC. There should be zero tolerance for bank employees who condone fraudulent activities. Such persons should be deemed unfit to work with any bank and their appointment should be terminated. All employees and accountants should undergo periodic AML/CFT training. Initial training should be conducted as part of orientation programme for newly employed staff. Training should however be risk-based and should focus largely on programmes managers and accountants.

Every bank should maintain a list of Politically Exposed Persons (PEPs) in its fold. The list should be updated periodically. These PEPs are individuals who are or have been entrusted with prominent public functions both in Ghana and foreign countries and those associated with them. These persons include Presidents, Ministers, Politicians, high ranking political party officials, senior public officials, senior judicial officials, senior police and military officials, Chief Executives of state-owned enterprises, diplomats and representatives of foreign countries and organisations, family members or close associates of PEPs, businesses and organisations belonging to these PEPs etc. For controlling, the spread of terrorism all around the world and destroying them in every part of the world, we have to be serious with anti-money laundering and combating financing of terrorism. Every government, every nation and every citizen of the nation is responsible to fight against money laundering and financing of terrorism. If one civilian of Ghana gives bribe to a police officer, of course that police officer will receive bribe from a terrorist also, therefore, such a terrorist is going to kill us all. That is why every single person is responsible to fight against money laundering and financing of terrorism.

A Brief Review of Taxation of Windfall Income and Lottery Winnings in Ghana



Francis Timore (Chartered Tax Consultant)

What is Windfall income?

Windfall is any amount (mostly large sum of money) that is won or received unexpectedly. Windfall Tax is thus any tax on such amounts.

Why is Windfall subject to Income Tax?

The idea behind taxing windfall income is greatly influenced by Wealth Creation and the concept of Income. Income Tax is based on Income but Parliament all over the world, when making tax laws fail to define clearly what is Income, and instead, left the word to judicial and administrative branches of government to thrash out the meaning of Income. Maybe the word does not lend itself for easy definition and any attempt to define income will lead to so many things being left out (to define something means to set the precise boundaries of the thing). Accountants, economist, and lawyers normally disagree on what exactly constitute income. But in spite of the unclear definition of Income, we can know it when we see it.

Most tax laws therefore, instead of defining

income, use the inclusive term in the nature of phrases such as “income includes” so that anything that looks like income can be brought into the meaning.

One fundamental concept underlying taxation is the way community members contribute to the expenses of the elected Government, at least initially, obliged to share that burden. Taxes are compulsory contribution levied by government to raise funds to be spent for public purposes (public services), including the support of the government. As Justice Holmes, said ‘[t]axes are what we pay for civilized society’.

Most importantly Wealth is an important element in every tax system because taxes are payable from wealth, inevitably in money, although this was not always the case. Governments often impose taxation by reference to the stages of wealth:

1. When you CREATE wealth, (Income Tax will be imposed, e.g. when you create wealth by earning salary, PAYE will be imposed)
2. When you HOLD your wealth created and you don't spend it, (Property tax will be imposed because you own property in the city)
3. When you TRANSFER (Sell) your wealth (Stamp Duties & Capital gains tax should be imposed)
4. When you CONSUME your wealth, VAT should be imposed because you are consuming the wealth created.

Using the principles from wealth creation, the Tax law, to a large extent relies on Net worth as a measure of Income. If this principle holds, then potentially, anything that increases net worth is income and anything that decreases net worth is a deduction (if permitted under the tax law). Therefore, WINDFALL INCOME such as found treasures at the back yard is taxable under the theory that, net worth has increased.

The Practice in some Countries

Countries that adopt the worldwide taxation consider that windfall gains such as found property is taxable as Occasional Income on the basis that, it increases wealth. For example,

in Germany, the taxation of windfall depends on the situation. If it arises from business settings, it must be included in the business income. So, money found on the premises of a businessman is taxable as part of the business profit. In Netherlands, unless they fall within the taxable category (Business, Investment, or employment), it will not be subject to tax.

Variants of Windfall Taxes

Windfall tax has evolved and taken on different versions and shapes. The common version of windfall tax is now called Windfall Profit Tax (Excess Profit Tax). This is a levy that certain industries are required to pay when economic conditions make them earn above-average profits. The presumption is that, these companies in the targeted industry have benefited the most from the economic windfall hence they should contribute more to society. Such taxes are mostly temporarily, but in some countries, because it generates additional income, it is hard for governments to make it temporal. Example is the National Reconstruction Levy which was introduced in Ghana somewhere in 2004 or so, which later become National Fiscal Stabilization Levy (NFSL). The government said it was temporary but NFSL has come to stay and in the 2020 budget, it was extended to 2024. Additional or Excess Profit tax has been criticized on the ground that, it reduces companies' initiatives to make more profits. Critics say instead of taxing hard work, the excess profits should be reinvested by companies to promote innovation.

In most Oil and Gas taxation agreement, a major excess profit tax is what is termed Additional Oil Entitlement. In Ghana's Petroleum sector, oil producers are made to agree a threshold of rate for the oil they produce and when there is excess, additional tax is imposed on them. According to article 10.2 of the Model Petroleum Agreement (MPA) the State (Ghana) shall be entitled to a portion of Contractor's share of Crude Oil then being produced from each separate Development and Production Area (hereinafter referred to as “Additional Oil Entitlements” or “AOE”) on the basis of the after-

tax inflation-adjusted rate of return (“ROR”) which Contractor has achieved with respect to such Development and Production Area as of that time. The windfall profit is defined as when the IOC’s actual internal rate of return exceeds the targeted rate of return used to evaluate the profitability of the venture during the project negotiations.

Other forms of windfall tax are National Fiscal Stabilization Levy, Gift tax and gambling or lottery winnings. Following the Covid-19 pandemic, some industries like textiles (for face masks), Ethanol and hand sanitizers, Veronica buckets manufactures presumably, are going to make excess profit. On the same principle which led to the introduction of National Fiscal Stabilization Levy on 9 categories of companies because they were making excess profit, the government can possibly introduce excess profit for these sectors. Currently, 5% Stabilization Levy is paid on profit before tax by the following companies.

1. Banks (Excluding Rural & Community Banks)
2. Non-Bank Financial Institutions
3. Insurance companies
4. Telecommunications companies
5. Breweries
6. Inspection and valuation companies.
7. Mining support services
8. Shipping lines
9. maritime and airport terminals

Legislative requirement to clarify how windfall is taxed in Ghana

A careful reading of Act 896 does not appear to provide any provision on windfall income which cannot be categorized into either Business, Investment, or employment. The position therefore is that, when a windfall income falls under business, investment or employment, it will be taxed. When it falls outside this category, it cannot be taxed. There is therefore the need for amendment to the tax laws to clarify this space as either exempt or taxable (e.g. found amount of money by an individual).

Damages

Another windfall which needs to be mentioned is payment to a person as damages. Damages are special categories of windfall gains/income. In most cases, they are taxable to the extent that they relate to assets or activity that are taxable. For example, an insurance claim will be taxable as a business income.

In Ghana, the rules are very specific for Damages paid for Personal Injuries. Damages that happens in the personal sphere are not generally taxable if the injury has permanently reduced the victim’s capacity to earn income. Section 7(e) of the Income Tax Act, 2015 (Act 896) provides that, “a capital sum paid to a person as compensation or gratuity in relation to a personal injury suffered by that person or the death of another person is not taxable”

However, damages can be taxable if the payment compensates for temporary loss of income. So salary in Lieu of Notice will be taxable in an employment relationship. In some cases, when the damages are in the form of annuity then this is taxable. Some countries like Sweden do not tax windfalls because they do not believe it arose from efforts to earn the income and they are also not periodic. The Ghana Revenue Authority must work together with the Judiciary to check possible payments of damages in civil actions in our courts.

I once engaged in a transaction where the court awarded damages for trespassing the person’s land. The damages were for the rent the person should have charged. When withholding taxes were deducted, the person threatened to go back to court that the judgement amount has not been paid in full. If the Judiciary is made to ensure taxes are paid on taxable damages, additional revenue could be raised.

Taxation of lottery and gambling

The inclusion of lottery or gambling income as taxable income is strongly influenced by

a country's choice of tax system. For those countries with worldwide tax system, gambling winnings are in principle, subject to tax whether they arise from windfall (occasional transactions) or from a professional gambler.

When tax is imposed on gambling and lottery, the Tax Base is only on the winnings and the losses are ignored. Losses incurred in gambling or lottery are not deductible because each gambling occasion is a separate event. Gambling or lottery losses arising on one occasion cannot be deducted against winnings derived on another occasion. These restrictions, presumably reflect the administrative difficulties of verifying gambling losses. Even in the case of a professional gambler or lotto "staker", losses for the year can be deducted only to the extent of gambling income or winning from the stake.

The Practice in some countries

Most countries tax lottery or Gambling income as Occasional Income (windfall) and some countries consider gambling income as taxable only if the gambler can be found to be in the business of gambling. For example, in Germany, gambling income of a professional card player is taxable as a business income and Gambling from TV shows are taxable as other income.

In Ghana, when Act 896 was passed in 2015, lottery activity was recognized as an investment activity. Since 2015, lottery taxation has gone through several changes leading to it being repealed.

In 2015 when Act 896, a withholding tax of 5% was imposed on the winning amount under 1st Schedule Par 8(1)(b)(viii).

1. In 2016, The Income Tax Amendment Act, 2016 (Act 907) amended it to exempt only the first GHS 2,592 and any excess winning above the GHS 2,592 was taxable at 5%
2. In 2017: The National Lottery Authority (NLA) made a proposal to the Ministry of Finance for the scrapping of taxes as a way of attracting more mainstream operators. The tax was then repealed.

Regulations 24 of the Income Tax Regulations, 2016 (L.I 2244) defined winnings from lottery includes gambling, betting and any game of chance.

Does the exemption of Lottery mean that a professional gambler (CASINO, etc.), engaged in gambling business (unregistered lotto forecaster) is also exempt? It appears not. But the law in my view needs to be clarified or enforced. What about other forms of TV shows and Promotional winnings?

Restoring Public Finance After Covid-19: -Tax hikes eminent to close the deficit gap.

Timore Francis

Taxation is necessary if there is to be any form of government, but the necessity of tax does not make it a popular policy, because generally citizens dislike any government that calls for increased or new taxes. What trick can a government take to find money to pay for themselves and their services whiles escaping the wrath of the citizens especially when elections are just here and any increase in tax could produce political repercussions? This is a dilemma!

2020 has brought us a global pandemic, the steepest economic collapse since the Great Depression. Not only that, the year is one where there will be contentious presidential election, a complete shift to remote work and education, a total shutdown of airports and international transaction, closure of tourism activities etc. Can the GRA raise the needed revenue in this complex time?

The World Bank has observed that, COVID-19 has triggered the deepest global recession in decades and the ultimate outcome is still uncertain. It is expected that the effect of the pandemic will result in a contraction across the vast majority of emerging market and developing economies, causing lasting damage

to labor productivity and potential output. The baseline forecast envisions a 5.2% contraction in global GDP in 2020—the deepest global recession in decades and Per capita incomes in most emerging and developing economies will shrink.

In Ghana, there is no doubt covid-19 has taken a huge bite of government revenue and it still cast an uncertain shadow over how government can raise enough revenue to meet its expenditure, especially in this presidential and parliamentary elections. The revenue shortfall is likely to spillover to 2021 and beyond. The rule of public finance is simple: When there is budget deficit and you want to reduce it, it is either you increase taxes and other revenue or by reducing spending. You can also do nothing and live with the deficit.

Come what may, the Ministry of Finance will

have to look for other means of bringing in revenue to support government activities.

Half Year Government Revenue Performance

A cursory look at the provisional government revenue as published by the Ministry of Finance on its website paints a GHS 7.54 Billion revenue shortfall against budget for January 2020 to June 2020. Whereas the government budgeted revenue stood at GHS 29.76 Billion, actual revenue and grants realized was GHS 22.2 Billion, resulting in a shortfall of 25.3%. The steepest shortfall in government revenue and grants was recorded in March 2020 when the target was missed by 46.3%. The revenue target for January 2020 was however over-achieved by 23% but aside January performance, all other months were missed.



Figure 1: Total Revenue and Grants in (GHS Billions) – June 2020

Tax Revenue for 1st Half Year 2020

Taxation remains the main source of government revenue and the impact of the pandemic did not spare the various tax types. All the tax types have been negatively affected but the most severely hit are petroleum income tax, VAT and import duties. This is expected because the pandemic led to a sharp decline in crude oil prices on the global market. With a budgeted tax revenue of GHS 1.4 billion expected from corporate tax on oil companies, GHS 0.48 billion was realized (a 65% shortfall behind target).

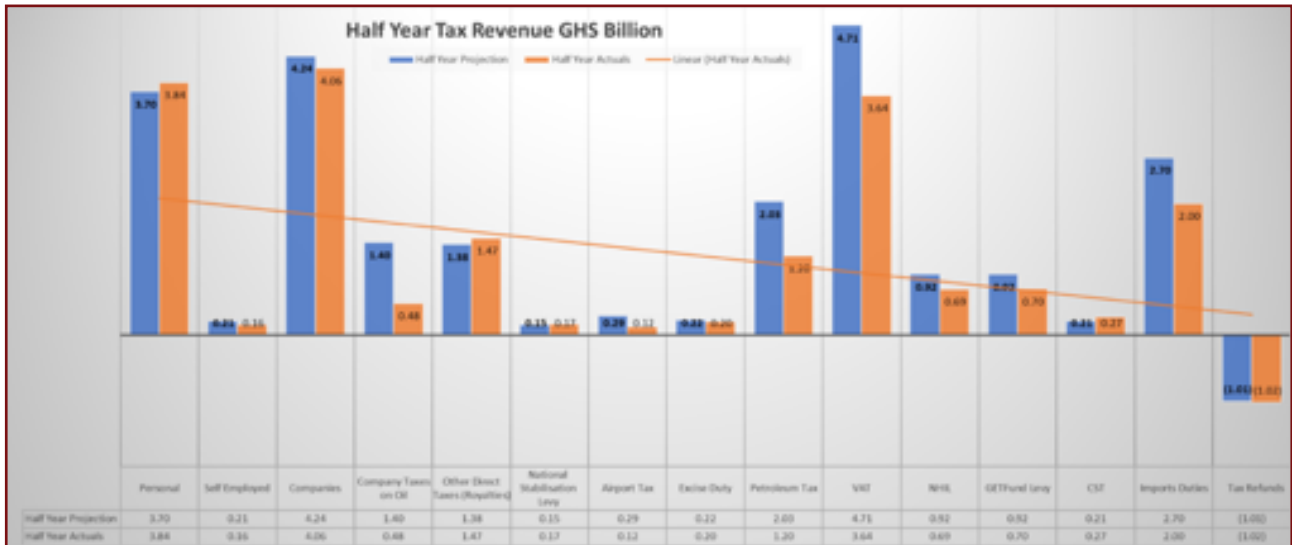


Figure 2: Half year Tax Revenue in GHS Billion

The revenue target for VAT was also missed by over GHS 1 billion for the first half of the year. But it appears despite the challenges in generating revenue, the government continued to meet its target on tax refunds. The target for Personal Income tax was also overachieved, but this could be attributable to 2019 performance bonuses and other employee remunerations which were paid in Quarter 1 2020.

Expected Tax Measures After Covid-19

Even though restrictions have been eased, there is still uncertainties across the world on how economies will recover from the pandemic. Based on actual revenue target for the first half of 2020, government is unlikely to achieve its revenue target for 2020. The government's "levelling" agenda to alleviate the impact of the pandemic which includes a reduction of the Communication Service Tax from 9% to 5%, the announcement of tax-free allowances for front-line workers, and other emergency covid-19 tax related measures will see government revenue lagging behind target. The government's social intervention such as the free electricity and water and stimulus packages for small businesses means that, sooner or later the government must look for money to defray the debt.

Following the suspension of the Fiscal Responsibility Act, 2018 (Act 982) in December 2018 which capped the annual fiscal deficit to no more than 5% of GDP, the government

will have no choice but to take on more debt to close the revenue shortfall. Donor grants have fallen short because every country is now dealing with the pandemic.

The scale of the social interventions and a record budget deficit points to speculations on when the government will need to introduce new taxes to pay for the crisis. Whereas some tax experts are calling for tax breaks to enable businesses affected by Covid-19 to recover quickly, others are of the view that, government will not have the room to grant tax breaks because of the deficit and there appears to be no clear idea on how to get out of this hole created by the pandemic. It is highly probable that, whichever government wins in the 2020 elections will have to deal with the deficit created by the pandemic.

Obviously, new taxes will need to be introduced to close the revenue shortfall. But one thing which is obvious is that, the GRA will have to do more in 2021. The fear is that, the GRA will likely be extremely hostile to Multinational Enterprises (MNEs) as governments increase

the tax burden on Multinational Enterprises (MNEs) to recoup tax revenues lost from trade and international transactions. It is expected that, the tax dispute mechanism in Ghana will be more transparent with the passage of the Revenue Administration Bill which will provide a more rational and international best practice in the enforcement of the 30% pay-now-argue later in tax disputes.

It is also expected that tax administration will see a facelift, using technology to drive the administration of taxation in Ghana. It is also expected that the long-awaited tax exemption bill will be passed by parliament to regulate the grant of tax exemption in Ghana.

Finally, it is expected that, the informal sector will have a simplified taxation regime and the contribution from the informal sector will record a significant growth. This will lead to a fair balance of the tax burden which is currently imbalanced toward the formal sector.

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ICAG Members Need a Welfare Fund



Julius Opuni Asamoah (BSc MBA CA)

As Chartered Accountants, we have been managing the financial resources of the state, non-governmental organisations and the private sector, ever since ICAG was birthed within the shores of Ghana. Our motto is “Integrity”. This term, integrity, is considered as the honesty, truthfulness and accuracy of the members’ actions. Integrity is one of the fundamental values that employers seek in employees that they hire in their businesses and related organisations. Stated differently, integrity is the hallmark of a person who demonstrates sound moral and ethical principles at work. However, some accountants pay the price for exercising integrity at their workplaces, especially in the public sector. The fact is that events over the years affirm the observation that accounting in all its spheres will continue to be in the forefront in the future, provided that members of the profession meet with patience, the challenges that arise from the profession day-to-day and resolve them after careful consideration and with foresight. Therefore, we need to seek our welfare to stand the challenges and test of time. Welfare fund for ICAG Members are increasingly becoming important. We are the main drivers that ensure proper functioning of the country’s fiduciary, therefore, our welfare is equally paramount, to enable us perform these functions with the needed integrity. In a situation of an existing backstopped benefit, people use it as a source of respite to work fearlessly with no threat of intimidation. Irrespective of how it is conceptualised and contextualised, without the Members taking and performing the key roles and responsibilities, ICAG would be short lived. We must recall that Members keep the Institute running by giving time and skills to its development. It is therefore time for us to seek Members welfare. We need a welfare fund to promote solidarity and mutual cooperation among members, assist and support members who later turn vulnerable whether through retrenchment, dismissal or inability to work, sometimes due to natural factors. The welfare of Members is therefore essential and it is incumbent on Council to come out with a welfare fund so that we will contribute into it for our own benefits.

The expected benefits for Members from this welfare fund can be several, depending upon the agreed consensus, including medical benefits, bereavement, retirement benefits, educational loans, personal loans and any other benefit we can think of. It was whispered into my ears that Ghana Medical Association has a similar fund for its Members. Meanwhile, we the accountants are the experts of funds management and as such we do not have one for our Members. Our Members end up managing the welfare funds of other professional bodies and associations but there is none existing for us. Accountants' welfare should be paramount at all times, as this will be an impetus to our efficiency and dedication to the profession. Undoubtedly, a well-cared Member will reciprocate by performing to the best of his or her ability at the workplace and ICAG as well.

Practitioners describe the term welfare to mean the state of well-being and implies the wholesomeness of the human being. It is a desirable state of existence that involves the mental, physical, moral and emotional factor of a person. All these four elements constitute the structure of welfare on which its totality is based. Provision of welfare facilities are governed by policies and laws, however the welfare package under discussion should be based on negotiation and agreement amongst Members without any interference or whatsoever. Usually, welfare packages are shaped by national and international standards. These could help us in crafting and formulating policies on the welfare fund. The term welfare is a relative concept. The fact is, the way and manner it is applied and provided varies from time to time, organisation to organisation and from profession to profession. All laws and activities in the country derive their validity from the constitution. Therefore, the legal luminaries amongst us can come out with the modalities, to enable us kick-start the welfare fund.

It is an undeniable fact that we should accept mutually beneficial collective care arrangements as essential for Members welfare, to take care of risks and uncertainties in our career. The emergence of a mutual benefit, indeed should

be a reflection of our collective response to the insecurity and vulnerability of all Members. Undoubtedly, any idea of seeking our welfare would be a conspicuous expression of a high degree of solidarity of Chartered Accountants. Our collective mutualism could be the pivotal cynosure binding us stronger than before. The idea of Members' welfare has been quite minimal over the years but it is not too late for us to come out of the woods. Once again, accountants need a mutual help during times of extreme economic hardships. This is a requirement for the sustainability of our wellness in the profession.

Members' welfare implies the setting up of minimum desirable standards and the provision of facilities as alternative means for our survival. We need such facilities to enable us lead a good work life, family life and social life. There is an overarching importance for the establishment of a welfare fund for ICAG Members. The accountant in the Ghanaian modern society needs much financial protection. Political, social and economic factors can get an accountant out of job. When that happens what will be the fate of our colleague? Meanwhile, every accountant deserves to be treated with dignity and respect irrespective of their status in the workplace. Accountants are always expected to use their skills to contribute to the development and profit margin of their organisations. Pursuant to this, they deserve ample welfare to cushion their circumstances, against unexpected contingencies.

Part of the reasons why accountants' rights and welfare are very significant is that, they need to work in places where the environment is devoid of tension and rancour in order to be productive. In fact, welfare should also be provided to accountants based on the feeling of care and compassion to accountants considering that some of them will spend the whole of their working lives fighting graft in their workplaces and might be unable to earn much to do adequate investments for their future needs.

To begin with the establishment of collective care arrangements in the form of welfare,

historical factors play an important role in this development. At any point in time, we can recollect cases of Members who have been subjected to arbitrary wrath of employers and dismissed from their jobs or resigned under coercion. A nuance reading of the politics in our country suggests that accountants need welfare arrangements because in most of the times, accountants suffer unnecessary dismissals and terminations for doing just what is right. With the eminence of intermittent radical political powers and employers, which are often unleashed on accountants, we tend to be vulnerable on the job front. In this sense, the constitution of our mutualism should be our priority.

On the field of accountants' work, quite a number of our colleagues have lost their jobs on the ground of standing firm against graft. Such colleagues only thought of living by and working with professional ethics, preferably integrity. The moment that these people become jobless their lives turn miserable and the most fortunate ones get some tokens from friends, for survival. Others just endure real hardships in their imperiled vulnerability. Using welfare fund to support colleague accountants who suffer unnecessarily could be a reprieve to sustain our Members. This idea is long overdue, therefore let us come together, discuss this idea at length and grant it a total ovation for its implementation. The benefit of welfare provides the needed impetus for efficiency and effectiveness, as a technical backstopping for our livelihood in times of any occupational hazard.

This development of welfare is indeed a watershed in the evolution of many professions, of which the accountancy profession cannot be left out. We need to retain the basic characteristic of stratification and segmentation embedded in the social order. The nature of our job exposes us to job insecurity within every given stratum of the labour market. The main sources of these features of our job seem to lie in the institution of caste, in the reflective social stratification in our political dispensation. It is pertinent to mention that living wages are not enough and cannot create any meaningful

livelihood for Members so it needs to be cushioned by alternative source of earnings. This makes the creation of welfare fund very desirable.

As some professions have taken the responsibility of providing welfare facilities and services for their members we should also do same by emulating this worthy course. We should not harbour the perception that it is an unnecessary burden to be put on ICAG. The provision of welfare facilities for Members should be classified as mandatory within our norms. It is feasible for our overwhelming proportion of Members countrywide and worldwide, to do periodic contributions for the creation of a welfare fund for our upkeep. A lot of our Members are endowed with ardent knowledge in this area of endeavour, our leadership can tap into their knowledge to come out with the modalities for its establishment. We need to improve our statuses, to make the profession very envious, within the purview of other professions. In our interpretation, this would imply a movement away from vulnerability towards stability in income for our livelihoods.

Under no circumstances should this ultimate objective be misconstrued as not feasible. Medical doctors have it and we also can do it and do it well. In pursuing this model, almost relentlessly, we will succeed to a remarkable extent in breaking down the conventional differences between ICAG and other professions. The seeking of Members' mutual interest should be a defensive strategy for us in times of crisis, mainly responding to threats of unemployment. We should protect the interest of members of the Institute. Against the backdrop of this, we need a welfare fund to be established for our intellectual, physical, moral and economic betterment, in order to keep the state of our well-being, happiness and satisfaction.

In terms of the primary objectives of the welfare fund, the responsibility that should devolve on our fraternity is to provide a secured livelihood for Members, whether periodically or in times of pension. The monitoring of the administrative functions of the welfare should

fall within the ambit of responsibility of ICAG Secretariat. Throughout the world, professional associations are re-examining, re-focusing, reforming, and restructuring their modus operandi, by considering the welfare of their Members. New ways are being sought to seek the welfare of ICAG Members, therefore, new approaches should be developed in this direction. Not surprisingly, this activity has triggered spirited debate about the relative merits of the various ways of structuring welfare systems for Members. We need to adapt to changes and respond to the variety of forces prevailing in membership associations.

In all circumstances, let us adjust our traditional norms to reflect the changing social philosophies, to new development strategies. No matter our motivation elsewhere, our current discussions should reflect a new level of sophistication on the introduction of a welfare policy. We should see a consensus on an indication of increased sophistication of current debates by Members on this new direction.

The assessment of the relative importance of welfare may vary from organisation to organisation and from time to time, however, studies have proven their effectiveness for the beneficiaries. No particular structure is the most appropriate one at all times and in all associations. So as a professional body, we need to organise series of debates, to pave way for its implementation. Philosophical considerations will always be important to social welfare decisions, but we need careful and objective analyses of the many implications of each possible social welfare option available.

One simple objective of the welfare is to organise it in a way that treats each Member with equal dignity and respect. To promote individual respect and dignity through the philosophy that those who make contributions have earned the right to the benefits, well-designed policies must spell out so conspicuously, the principles surrounding payment of contributions and withdrawal of benefits. We should value highly the objective of assuring the dignity of recipients. We should see the explicit contributions from Members as

building a livelihood bulwark against Members life eventualities. The expectation is that all Members should avail to this welfare fund, and it should not be voluntary. It needs to be all-inclusive.

Progressive management of associations today provides welfare facilities voluntarily and with enlightened willingness and enthusiasm, to enable Members live a richer and more satisfactory life. To the best of thoughts, this proposal of welfare should be supported by us all and made compulsory. It needs to be shaped and driven by a very sound policy which will allow Members to have substantial input into what and how the facilities should be provided without conflicting or undermining the stance and focus of the Institute.

In conclusion, ICAG Council Members and the District Societies should work together to make sure that adequate sensitisation and awareness creation have been done. All grievances of Members should be considered and addressed based on mutual respect and understanding. Of late, the importance of welfare schemes is increasingly being agitated for, in other professions so we need to establish one for Members. We must enjoin each Member to the Institute to ensure its implementation. Members deserve more benefits from the Institute than what we currently enjoy and the only leverage is the provision of welfare facilities for Members. We should explore all means possible to make this welfare a perpetually sustainable venture, to the benefit of ICAG Members.

YOU AND YOUR HEALTH

WHAT YOU CAN DO TO MAINTAIN YOUR HEALTH

A lot of factors play a role in staying healthy. In turn, good health can decrease your risk of developing certain conditions. These include heart disease, stroke,





some cancers, and injuries. Learn what you can do to maintain you and your family's health.

PATH TO IMPROVED HEALTH

1 Practice Good Hygiene

According to the Mayo Clinic, "one of the best ways to avoid getting sick and spreading illness" is to wash your hands. One of the easiest ways to catch a cold or influenza is to rub your nose or your eyes when your hands have been contaminated by germs. Your best defense against such contamination is to wash your hands regularly. Good hygiene can also prevent the spread of more serious conditions, such as pneumonia and diarrheal diseases, which every year cause the death of over two million children under the age of five. Even the spread of deadly Ebola and Coronavirus can be minimized by the simple habit of washing hands.

There are certain times when hand washing is particularly important to protect your own health and that of others. You should wash your hands:

- After using the toilet.
- After changing diapers or helping a child to use the toilet.
- Before and after treating a wound or a cut.
- Before and after being with someone who

is sick.

- Before preparing, serving, or eating food.
- After sneezing, coughing, or blowing your nose.
- After touching an animal or animal waste.
- After handling garbage.

And do not take it for granted that you are cleaning your hands properly. Studies have shown that a large percentage of those who use public toilets do not wash their hands afterward or do not wash them correctly.

How should you wash your hands?

- Wet your hands in clean running water and apply soap.
- Rub your hands together to make a lather, not forgetting to clean your nails, your thumbs, the backs of your hands, and



between your fingers.

- Keep rubbing for at least 20 seconds.
- Rinse in clean running water.
- Dry with a clean cloth or a paper towel.

Such measures are simple but can avert illness and save lives.

2 Use a Safe Water Supply

Obtaining sufficient clean water for one's family is a regular chore in some countries. Yet, access to clean water can become a concern in any part of the world when a main supply that is usually good to drink becomes contaminated as a result of a flood, a storm, a pipe break, or some other issue. If water does not come from a safe source or is not stored correctly, it can cause parasite infestation, as well as cholera, life-threatening diarrhea, typhoid, hepatitis, and other infections. Unsafe drinking water is one of the causes of an estimated 1.7 billion cases of diarrheal disease every year.

There is much you can do to slow down or prevent the onset of illness.

Cholera is most often contracted when a person drinks water or eats food that is contaminated with fecal matter from infected people. What steps can you take to protect yourself, even in the immediate aftermath of a disaster, from this and other types of water contamination?

- Ensure that all your drinking water—including the water used for brushing teeth, making ice, washing food and dishes, or cooking—comes from a safe source, such as an adequately treated public supply or sealed bottles from a reputable firm.
- If there is any possibility that your piped supply has been contaminated, boil your water before use or treat it with an appropriate chemical product.
- When using chemicals, such as chlorine or water-purifying tablets, follow the maker's directions carefully.
- Use quality water filters, if available and affordable.
- If no water-treatment products are available, add household bleach, eight drops per gallon of water (two drops per liter), mix well, and then let the water stand for 30 minutes before using it.
- Always store treated water in clean, covered containers to protect it from possible recontamination.
- Ensure that any vessel used to take water from your stored supply, such as a ladle, is clean.
- Handle water containers with clean hands, and do not dip your hands or fingers into water used for drinking.

3 Watch What You Eat



Good health is impossible without good nutrition, and for good nutrition you need a healthy, balanced diet. You may need to consider your intake of salt, fats, and sugar, and you should watch your portion sizes. Include fruits and vegetables in your diet, and vary what you eat. Reading the packaging will help you to select whole-grain foods when buying bread, cereals, pasta, or rice. These are richer in nutrients and fiber than the alternatives made from refined grain. As for proteins, eat small and lean portions of meat and poultry and try to eat fish a couple of times a week, if possible. In some lands it is also possible to find protein-rich foods from vegetable sources.

If you eat too many sugars and solid fats, you risk becoming overweight. To minimize this risk, drink water instead of sweet beverages. Eat more fruit instead of sugary desserts. Limit your intake of solid fats from such items as sausages, meat, butter, cakes, cheese, and cookies. And instead of using solid fats for cooking, you may want to use healthier oils.

Too much salt, or sodium, in the diet can raise your blood pressure to an unhealthy level. If this is your problem, use the information on food packaging to keep your sodium intake low. Instead of salt, use herbs and spices to

flavor your meals. How much you eat can be as important as what you eat. So, while enjoying your food, do not keep eating after you are no longer hungry.

An issue tied to nutrition is the risk of food poisoning. Any food can poison you if it is not prepared and stored properly. Every year, 1 out of every 6 Americans falls sick from food poisoning. Most recover without lasting ill effects, but some die from it. What can you do to minimize the risk?

- Vegetables grow in soil that may have been treated with manure, so wash these items carefully before preparing them.
- Wash your hands, cutting board, utensils, dishes, and countertops with hot, soapy water before preparing each item.
- To avoid cross-contamination, never put food on a surface or plate that was previously in contact with raw eggs, poultry, meat, or fish, without first washing that surface.
- Cook until the food reaches the right temperature, and promptly refrigerate any perishable items that are not going to be eaten immediately.
- Discard perishable items left at room temperature for more than two hours or one hour if air temperature exceeds 90 degrees Fahrenheit (32°C).

4 Stay Physically Active



Regardless of your age, you need regular physical activity to stay in good shape. Many people today do not exercise enough. Why is exercise important? Staying physically active

can help you to:

- Sleep well.
- Stay mobile.
- Maintain strong bones and muscles.
- Maintain or achieve a healthy weight.
- Lower your risk of suffering from depression.
- Lower your risk of premature death.

If you do not stay physically active, you are more likely to:

- Suffer from heart disease.
- Suffer from type 2 diabetes.
- Develop high blood pressure.
- Develop high cholesterol.
- Suffer a stroke.

The kind of physical activity that is right for you depends on your age and your health, so it would be wise to consult your doctor before beginning any new exercise program. According to various recommendations, children and adolescents should get at least 60 minutes of moderate-to-vigorous activity every day. Adults should get 150 minutes of moderate activity or 75 minutes of vigorous activity every week.

Choose an activity that is fun. You might consider basketball, tennis, soccer, brisk walking, cycling, gardening, chopping wood, swimming, canoeing, jogging, or other aerobic exercise. How can you tell whether an activity is moderate or vigorous? A general guide would be that moderate activity makes you sweat, but more vigorous exercise makes it hard for you to hold a conversation while doing it.

5 Get Enough Sleep



The amount of sleep needed varies from person to person. Most newborns sleep for 16 to 18 hours a day, toddlers about 14 hours, and preschoolers about 11 or 12. School-age children generally need at least 10 hours of sleep, adolescents perhaps 9 or 10, and adults from 7 to 8.

Getting the right amount of rest should not be considered optional. According to experts, sufficient sleep is important for:

- Growth and development in children and teenagers.
- Learning and retention of new information.
- Maintaining the right balance of hormones that impact metabolism and weight.
- Cardiovascular health.
- Disease prevention.

Insufficient sleep has been linked to obesity, depression, heart disease, diabetes, and tragic accidents. Surely these give us good reason to want to get enough rest.

So, what can you do if you realize that you have a problem getting enough sleep?

- Try to go to bed and get up at the same time every day.
- Make your bedroom quiet, dark, relaxing, and neither too warm nor too cold.
- Do not watch TV or use gadgets while in bed.
- Make your bed as comfortable as possible.
- Avoid heavy meals, caffeine, and alcohol before bedtime.
- If after applying these suggestions, you still suffer from insomnia or other sleep disorders—such as excessive daytime sleepiness or gasping for breath while sleeping—you may want to consult a qualified health-care professional.

Lose weight if you're overweight.

Many Americans are overweight. Carrying too much weight increases your risk for several health conditions. These include:

- high blood pressure

- high cholesterol
- type 2 diabetes
- heart disease
- stroke
- some cancers
- gallbladder disease

Being overweight also can lead to weight-related injuries. A common problem is arthritis in the weight-bearing joints, such as your spine, hips, or knees. There are several things you can try to help you lose weight and keep it off.

Protect your skin.

Sun exposure is linked to skin cancer. This is the most common type of cancer in the United States. It's best to limit your time spent in the sun. Be sure to wear protective clothing and hats when you are outside. Use sunscreen year-round on exposed skin, like your face and hands. It protects your skin and helps prevent skin cancer. Choose a broad-spectrum sunscreen that blocks both UVA and UVB rays. It should be at least an SPF 15. Do not sunbathe or use tanning booths.

Practice safe sex.

Safe sex is good for your emotional and physical health. The safest form of sex is between 2 people who only have sex with each other. Use protection to prevent sexually transmitted diseases (STDs). Condoms are the most effective form of prevention. Talk to your doctor if you need to be tested for STDs.

Don't smoke or use tobacco.

Smoking and tobacco use are harmful habits. They can cause heart disease and mouth, throat, or lung cancer. They also are leading factors of emphysema and chronic obstructive pulmonary disease (COPD). The sooner you quit, the better.

Limit how much alcohol you drink.

Men should have no more than 2 drinks a day. Women should have no more than 1 drink a

day. One drink is equal to 12 ounces of beer, 5 ounces of wine, or 1.5 ounces of liquor. Too much alcohol can damage your liver. It can cause some cancers, such as throat, liver, or pancreas cancer. Alcohol abuse also contributes to deaths from car wrecks, murders, and suicides.

Things to consider

In addition to the factors listed above, you should make time for whole body health. Visit your doctors for regular checkups. This includes your primary doctor, as well as your dentist and eye doctor. Let your health benefits and preventive care services work for you. Make sure you know what your health insurance plan involves. Preventive care can detect disease or prevent illness before they start. This includes certain doctor visits and screenings.

You need to make time for breast health. Breast cancer is a leading cause of death for women. Men can get breast cancer, too. Talk to your doctor about when you should start getting mammograms. You may need to start screening early if you have risk factors, such as family history. One way to detect breast cancer is to do a monthly self-exam. Women should get routine pap smears, as well. Women ages 21 to 65 should get tested every 3 years. This may differ if you have certain conditions or have had your cervix removed.

Ask your doctor about other cancer screenings. Adults should get screened for colorectal cancer starting at age 50. Your doctor may want to check for other types of cancer. This will depend on your risk factors and family history.

Questions to ask your doctor

- How many calories should I eat and how often should I exercise to maintain my current weight?
- Should I have a yearly physical exam?
- What types of preventive care does my insurance cover?
- When should I start getting screened for certain cancers and conditions?
- Which healthy choice is the most important for me?

This information provides a general overview and may not apply to everyone. Talk to your family doctor to find out if this information applies to you and to get more information on this subject.

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TECHNOLOGY CORNER



BENEFITS & RISKS OF ARTIFICIAL INTELLIGENCE

“Everything we love about civilization is a product of intelligence, so amplifying our human intelligence with artificial intelligence has the potential of helping civilization flourish like never before – as long as we manage to keep the technology beneficial.”

Max Tegmark, President of the Future of Life Institute

What is AI?

From SIRI to self-driving cars, artificial intelligence (AI) is progressing rapidly. While science fiction often portrays AI as robots with human-like characteristics, AI can encompass anything from Google’s search algorithms to IBM’s Watson to autonomous weapons.

Artificial intelligence today is properly known as narrow AI (or weak AI), in that it is designed to perform a narrow task (e.g. only facial recognition or only internet searches or only driving a car). However, the long-term goal of many researchers is to create general AI (AGI or strong AI). While narrow AI may out-perform humans at whatever its specific task is, like playing chess or solving equations, AGI would out-perform humans at nearly every cognitive task.



Why research AI safety?

In the near term, the goal of keeping AI’s impact on society beneficial motivates research in many areas, from economics and law to technical topics such as verification, validity, security and control. Whereas it may be little more than a minor nuisance if your laptop crashes or gets hacked, it becomes all the more important that an AI system does what you want it to do if it controls your car, your airplane, your pacemaker, your automated trading system or your power grid. Another short-term challenge is preventing a devastating arms race in lethal autonomous weapons.

In the long term, an important question is what will happen if the quest for strong AI succeeds

and an AI system becomes better than humans at all cognitive tasks. As pointed out by I.J. Good in 1965, designing smarter AI systems is itself a cognitive task. Such a system could potentially undergo recursive self-improvement, triggering an intelligence explosion leaving human intellect far behind. By inventing revolutionary new technologies, such as superintelligence might help us eradicate war, disease, and poverty, and so the creation of strong AI might be the biggest event in human history. Some experts have expressed concern, though, that it might also be the last, unless we learn to align the goals of the AI with ours before it becomes super-intelligent.

There are some who question whether strong AI will ever be achieved, and others who insist that the creation of super-intelligent AI is guaranteed to be beneficial. The Future of Life Institute (FLI) recognizes both of these possibilities, but also recognize the potential for an artificial intelligence system to intentionally or unintentionally cause great harm. We believe research today will help us better prepare for and prevent such potentially negative consequences in the future, thus enjoying the benefits of AI while avoiding pitfalls.

How can AI be dangerous?

Most researchers agree that a super-intelligent AI is unlikely to exhibit human emotions like love or hate, and that there is no reason to expect AI to become intentionally benevolent or malevolent. Instead, when considering how AI might become a risk, experts think two scenarios most likely:

1. The AI is programmed to do something devastating: Autonomous weapons are artificial intelligence systems that are programmed to kill. In the hands of the wrong person, these weapons could easily cause mass casualties. Moreover, an AI arms race could inadvertently lead to an AI war that also results in mass casualties. To avoid being thwarted by the enemy, these weapons would be designed to be extremely difficult to simply “turn off,” so humans could plausibly lose control of such

a situation. This risk is one that’s present even with narrow AI, but grows as levels of AI intelligence and autonomy increase.

2. The AI is programmed to do something beneficial, but it develops a destructive method for achieving its goal: This can happen whenever we fail to fully align the AI’s goals with ours, which is strikingly difficult. If you ask an obedient intelligent car to take you to the airport as fast as possible, it might get you there chased by helicopters and covered in vomit, doing not what you wanted but literally what you asked for. If a super-intelligent system is tasked with an ambitious geoengineering project, it might wreak havoc with our ecosystem as a side effect, and view human attempts to stop it as a threat to be met.

As these examples illustrate, the concern about advanced AI isn’t malevolence but competence. A super-intelligent AI will be extremely good at accomplishing its goals, and if those goals aren’t aligned with ours, we have a problem. You’re probably not an evil ant-hater who steps on ants out of malice, but if you’re in charge of a hydroelectric green energy project and there’s an anthill in the region to be flooded, too bad for the ants. A key goal of AI safety research is to never place humanity in the position of those ants.

Why the recent interest in AI safety

Stephen Hawking, Elon Musk, Steve Wozniak, Bill Gates, and many other big names in science and technology have recently expressed concern in the media and via open letters about the risks posed by AI, joined by many leading AI researchers. Why is the subject suddenly in the headlines?

The idea that the quest for strong AI would ultimately succeed was long thought of as science fiction, centuries or more away. However, thanks to recent breakthroughs, many AI milestones, which experts viewed as decades away merely five years ago, have now been reached, making many experts take seriously the possibility of super-intelligence in our lifetime. While some experts still guess that human-level AI is centuries away, most AI researches at the 2015 Puerto Rico Conference guessed that it would happen before 2060. Since it may take decades to complete the required safety research, it is prudent to start it now.

Because AI has the potential to become more intelligent than any human, we have no surefire way of predicting how it will behave. We can't use past technological developments as much of a basis because we've never created

anything that has the ability to, wittingly or unwittingly, outsmart us. The best example of what we could face may be our own evolution. People now control the planet, not because we're the strongest, fastest or biggest, but because we're the smartest. If we're no longer the smartest, are we assured to remain in control?

FLI's position is that our civilization will flourish as long as we win the race between the growing power of technology and the wisdom with which we manage it. In the case of AI technology, FLI's position is that the best way to win that race is not to impede the former, but to accelerate the latter, by supporting AI safety research.

Source

<https://www.futureoflife.org>



TECHNICAL MATTERS

Promoting the Integrity of the Accounting Profession: The Role of the Professional Accountant.

By Joseph Kum

“In looking for people to hire, look for three qualities: integrity, intelligence and energy. And if they don't have the first, the other two will kill you.”

(Warren Buffett)

Introduction

Integrity is a sacred principle that many professional establishments, whether private or public, strive to associate with. It runs through either in their mission statements, vision statements or core values that they aspire to achieve. It is not surprising therefore, to understand why the motto of Ghana Police Service reads “Service with Integrity” whilst the term “Integrity” was also chosen as a motto by the Institute of Chartered Accountants, Ghana.

Nevertheless, various professions are generally tagged with one form of negative perception or the other. The military is known for their “brutality”, the judiciary destined as “liars”, “corruption” is mostly associated with the police and the accountants described by many as “thieves”. Right from childhood we keep hearing that accountants could enrich themselves illegally by simply adding zeros to figures. Whether these perceptions are factual or mere allegations, they have significant influence on the way the public perceive the members of such professions. As White and White, (2006) put it “Substantial and sustained erosion of trust would be a major blow to a profession that requires the honoring of public trust in its code of professional conducts”.

But what motivates people to believe and generalise that accountants are not trustworthy? Certain unethical behaviours on the part of few obstinate and recalcitrant accountants have strengthened this unfortunate public attacks on the integrity of this prestigious and noble profession. The continuous promulgation of such unfortunate behaviors in the media has even worsen matters for the profession’s image. A classic example is the Enron’s Corporation Scandal as reported by the Wall Street Journal in 2001. In this issue a once reputable organisation collapsed overnight as a result of, among other things, deliberate fictitious financial reporting practices which sought to conceal losses and deteriorating assets on the part of its chief finance officer; coupled with intentional approval of such financial records by its external auditors. These events keep unfolding. According to Addo (2011, p.11) “After the Enron debacle in 2001 came other scandals involving large US companies such as WorldCom, Global Crossing and the auditing lacunae that eventually led to the collapse of Andersen”.

The recent turmoil in the Ghanaian banking sector did not speak well of professional accountants. Falsification of financial statements of some collapsed banks in the country went on without detection by the auditors. Akalaare (2018, para. 6) reported that:

In the case of the five banks – Royal, Construction, BEIGE, Unibank and Sovereign – whose licenses were withdrawn on August 1, Mr. Andani said some of their auditors failed to live up to their sacred responsibilities as objective examiners of financial statements and independent checks against fraudulent activities in now defunct banks. By failing to detect the irregularities and flag same in the audited accounts, Mr. Andani stated that the auditors “failed everybody” – from shareholders to customers – who relied on the audited accounts of the erstwhile banks to make decisions.

This article seeks to examine the concept of integrity as well as the normative ethical theories that underpin the concept of integrity. Next it summarises the ethical guidelines expected to be complied with by professional accountants in the performance of their duties as enshrined in the Code of Ethics developed by International Federation of Accountants (IFAC).

The Concept of Integrity

The concept of integrity has been elaborated extensively by various scholars. In my opinion, the concept connotes purity. Being pure implies that one is totally free from guilt. It has to do with being blameless and faultless for behavior or an action one undertakes. It has to do with morality.

In the views of Brenkert (2005, p.5) “Corporate integrity then becomes virtually synonymous with acting morally”. Morality is therefore seen as a pre – requisite for achieving integrity. “A person of moral integrity will characteristically be committed to a “right’ action, ‘desirable’ ideal or ‘just’ principle” (Halfon, 1989, as cited in Schöttl, 2015, p.3). References are normally made to objective standards in judging what is morally right. Integrity is achieved when one’s actions are in accordance with values that are morally justified on objective basis; and hence moral commitment becomes the bedrock in building personal integrity.

The term is sometimes defined from its etymology. It originates from the Latin word “integras” meaning wholeness or unity. This means that the achievement of integrity is dependent on something being complete and undivided. “A dominant perspective is in line with the meaning of the Latin word integras: intact, whole, harmony, with integrity as “wholeness” or completeness, as consistency and coherence of principles and values” (Montefiore & Vine, 1999 as cited in Hubert, 2018).

The concept is also examined in details in the legal profession. The utilitarian approach in making judgement has been heavily criticized by Dworkin’s “Theory of Law as Integrity”. Dworkin believes that the positivists approach leads to judges and lawyers being unconstrained when adjudicating hard cases. He emphasizes that, when judges consider which way is the best to solve legal issue, they should not only look at what positive law is applicable in a certain case but taking an interpretive approach to law as a social practice. That is in deciding hard cases, judges and lawyers are expected to interpret laws in the light of generally acceptable societal values, principles and morals which ascribe integrity, fairness and objectivity to decisions reached in judicial adjudication.

Others think the concept is closely related to ethics. It is seen as professional conduct than merely drawing a line between “what is good” and “what is bad”. Integrity means that a professional exercises his tasks adequately, carefully and responsibly, taking into account all relevant interests (Karssing, 2001; 2007, as cited in Hubert, 2018). It involves professionals exercising duty of care in the execution of services to their clients.

According to International Ethics Standards Board for Accountants (IESBA, 2018, p.18) of IFAC, integrity means “to be straight forward and honest in all professional and business relationships”. Professional accountants are required to follow certain ethical principles when rendering services to their client in order to satisfy all relevant stakeholders’ interests.

Ethical Theories

Ethical theories are concerned with what we ought to do when faced with ethical dilemma. Three basic normative theories of ethics that give better explanation as why people take a particular ethical decision over the other are:

1. Utilitarian ethics

This is the first philosophical or normative theory of ethics. The theory simply focuses on the maximization of utility (happiness) for the majority of people or society. The founder of the theory, Jeremy Bentham (1748–1832) defined utility as “that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness...[or] to prevent the happening of mischief, pain, evil or unhappiness to the party whose interest is considered”. John Stuart Mill (1806–1873) was British philosopher and a proponent of utilitarianism. The rule of thumb is when confronted with ethical paradox, the guiding principle is to choose the action that provides the greatest good for the greatest number. Decision makers look at the consequence of an action rather than the action itself in determining what is ethical and as a result the theory is sometimes called consequentialism. The theory is characterized by impartiality and agent neutrality. The benefit gained for promoting the good is the same for all. What motivates one to promote the good is the same thing that motivates others to promote the good.

2. Deontology

This theory is the direct opposite of Bentham’s Utilitarian Theory. It doesn’t concern itself with consequences of action but rather the reasons behind a particular action. Immanuel Kant (1724–1804) argued that morality is achieved if actions meet standard of rationality. Kant believed that everyone has duties and rights to one another and these duties and rights ought to be respected by all. Some actions are absolute. These are obligations to do certain types of actions. He calls these general type of obligation Categorical Imperative (CI)

because they fall within a category. The CI was formulated in two ways:

- The first is ‘Act only by that maxim by which you can, at the same time, will that it be a universal law’. This expresses condition of rationality.
- The second, which expresses morality is ‘So act as to treat humanity, whether in your own person or that of any other, in every case as an end in itself, never as a means only’.

3. Virtuous Theory

The third normative theory looks at the character of individuals rather than the consequences of their actions or the rationality of actions they undertake. The theory takes inspiration from Aristotle who emphasised the role of character and virtue in moral philosophy instead of either

doing one’s duty or acting in order to bring good consequences. Aristotle claimed that a moral person is the one who has ideal character traits. He believed that these traits are natural internal tendencies which need to be nurtured, and they become stable once they are established. Hursthouse (1991, p.226) explained that “a virtue is character traits a human being needs to flourish or live with”. The theory is about discovering what constitute good life, how one should live, and what values are considered proper for the family and society. For example, a virtuous person is one who is generous at all times and in every situation because that is his character and not that he wants to maximize specific utility.

Hursthouse (1991) briefly compares the three theories to pinpoint their relationships as outlined in Table 1 below:

Table 1

The Relationships Between Normative Theories

	Consequentialism	Deontology	Virtue Theory
Example	Mill’s Utilitarianism	Kantian Ethics	Aristotle’s Moral Theory
Abstract Description	An action is right if it promotes the best consequences.	An action is right if it is in accordance with a moral rule or principle.	An action is right if it is what a virtuous agent would do in the circumstances.
More Concrete Specification	The best consequences are those in which happiness is maximized.	A moral rule is one that is required by rationality	A virtuous agent is one who acts virtuously, that is, one who has and exercises the virtues. A virtue is a character trait that a human being needs to flourish or live well.

Adapted from “Virtue Theory and Abortion” by L. Hursthouse, 1991, Philosophy and Public Affairs, Vol.20(3)

Compliance with the Ethics of the Profession

The best way of uplifting the image of the profession is to show commitment towards compliance with all the ethical guidelines as enshrined in the Code of Ethics of the accounting profession. The onus is on us to constantly study and abreast our knowledge on recent developments or changes in the code of ethics of the profession. IFAC as an umbrella body of professional accountants worldwide seeks to develop, adopt and implement a high – level quality international ethics standards for its members through support from IESBA. This is done with the objective of serving the interest of the public. The Code of Ethics is divided into three main categories: Fundamental Principles of Ethics, The Conceptual Framework and Independence of the Auditor.

1. Fundamental Principles of Ethics

Section 110 of the Code outlines five fundamental principles that every professional accountant must uphold. These are:

Integrity

That is accountants are expected to be straightforward and honest in all professional and business relationships. This involves being truthful and fair in all dealings. The Code further states that an accountant shall not knowingly associate with reports, returns, communications or other information where the accountant believes that the information:

- Contains a materially false or misleading statement;
- Contains statements or information provided recklessly; or
- Omits or obscures required information where such omission or obscurity would be misleading.

Objectivity

Professional accountants are not to compromise on their judgements. The principle of objectivity requires accountants to be unbiased and eschew conflict of interest.

Professional Competence and Due Care

In discharging their duties, accountants are to bring forth their professional skills to bear. It involves attaining and maintaining professional knowledge at a level required to ensure that client receives competent professional service based on current technical and professional standards and legislation.

Confidentiality

The principle tends to caution accountants against unlawful disclosure of vital information obtained in the course of duty to a third party. Confidentiality principle is about maintenance of secrecy pertaining to accounting information.

Professional Behaviour

Professional behaviour is about the manner in which accountant conducts his business or activities. Accountant is required to act in a manner that does not bring impairment to the image of the profession. He should comply with relevant laws and regulations and abstain himself from behaviours that might discredit the good reputation of the profession.

2. The Conceptual Framework

The conceptual Framework is provided in section 120 of the Code. The framework deals with the identification of threats to compliance with fundamental principles, evaluation of these treats and application of safeguards to the treats. The framework is synonymous to Albert Humphrey's SWOT Analysis as depicted in Figure 1.



Figure 1

SWOT Analysis

Identification of Threats

Section 200.6 A1 of the Code provides specific examples of facts and circumstances that might create threats to the professional accountant when undertaking professional activity:

Self Interest Threats

A professional accountant holding a financial interest in, or receiving a loan or grantee from, the employing organisation. A professional accountant participating in incentive compensation arrangements offered by the employing organisation. A professional accountant having access to corporate assets for personal use.

A professional accountant being offered a gift or special treatment from supplier of the employing organisation.

Self-review Threats

A professional accountant determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.

Advocacy Threats

A professional accountant having the opportunity to manipulate information in a prospectus in order to obtain favourable financing.

Familiarity Threats

A professional accountant being responsible for the financial reporting of the employing organisation when an immediate or close family

member employed by the organisation makes decisions that affect the financial reporting of the organisation.

A professional accountant having a long association with individuals influencing business decisions.

Intimidation Threats

A professional accountant or immediate or close family member facing the threat of dismissal or replacement over disagreement about:
The application of accounting principle.
The way in which financial information is to be reported.

An individual attempting to influence the decision –making process of the professional accountant.

• Evaluating Threats

Section 120.7 of the Code states that “When the professional accountant identifies threat to compliance with the fundamental principles, the accountant shall evaluate whether such a threat is at an acceptable level”. An acceptable level is a level at which a professional accountant using the reasonable and informed third party test would conclude that the accountant complies with the fundamental principles. The Section identifies the following factors to be applied in evaluating the level of threats:

- The consideration of qualitative as well as quantitative factors is relevant in the professional accountant’s evaluation of threats, as is the combined effect of multiple threats, if applicable.
- The existence of conditions, policies and procedures described in paragraph 120.6 A1 must also be factors that are relevant in evaluating the level of threats to compliance with the fundamental principles. Examples of such conditions, policies and procedures include:
 - Corporate governance requirement,
 - Educational, training and experience requirement for the professional accountant and the general public to draw attention to unethical behaviour.
 - Effective complaints systems which enable the professional accountant and the general public to draw attention to unethical behaviour.
 - An explicitly stated duty of report breaches of ethics requirements.
 - Professional or regulatory monitoring and disciplinary procedures.

• Addressing Threats

Section 120, again provides that if the professional accountant determines that the identified threats are not at an acceptable

level, the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:

- Eliminating the circumstances, including interests or relationships, that are creating the threats;
- Applying safeguards, where available and capable of being applied, to reduce the threats to acceptable level; or
- Declining or ending professional activity.

3. Independence of the Auditor

The independence of the auditor is also addressed in the Code in Part 1, Section 120. The International Independence Standards requires professional accountants in public practice to be independent when performing audits, reviews or other assurance engagements. The Section links independence to fundamental principles of objectivity and integrity. It comprises;

• Independence of the mind

The state of the mind that permits the expression of a conclusion without being affected by the influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

• Independence in appearance

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s or audit or assurance team member’s integrity, objectivity or professional skepticism has been compromised. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirement.

Conclusion

As professionals as we are, we cannot afford to bring the hard earned image of our noble profession to disrepute. We must be mindful of threats that pose hindrances to the compliance with the fundamental principles and refer to the Code when faced with ethical dilemma in the execution of professional assignments; then public confidence would be forestalled.

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QUOTES

“Success is not final; failure is not fatal: it is the courage to continue that counts.”

– *Winston Churchill*

“Business opportunities are like buses, there’s always another one coming.”

– *Richard Branson*

“Every problem is a gift—without problems we would not grow.”

– *Anthony Robbins*

“You only have to do a few things right in your life so long as you don’t do too many things wrong.”

– *Warren Buffett*

“There’s no shortage of remarkable ideas, what’s missing is the will to execute them.”

– *Seth Godin*

