



Chapter 8

Corporate governance and accounting ethics

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Ethical codes by FRCN, OECD, and other local and international agencies

Learning Objectives

At the end of this chapter, students should be able to:

1. Define and discuss the concept of ethics in corporate governance.
2. Identify and describe ethical codes issued by the Financial Reporting Council of Nigeria (FRCN), OECD, and other international organizations.
3. Understand the relevance of ethics in maintaining transparency, accountability, and stakeholder trust.
4. Compare and contrast Nigerian ethical frameworks with international standards.
5. Apply ethical principles to practical governance situations involving conflict of interest, disclosure, and integrity.
6. Critically evaluate how ethical codes influence governance effectiveness and compliance.

8.1. Introduction

Good governance is anchored on corporate ethics. Ethics is defined as the norms and standards that are used in making decisions in business. Credibility of governance should be based on a strong ethical, which provides transparency, accountability, integrity and justice.

Ethical frameworks and codes of practices formulated by bodies like the Financial Reporting Council of Nigeria (FRCN), Organization for Economic Co-operation and Development (OECD), International Federation of Accountants (IFAC), International Corporate Governance Network (ICGN) and others have been used to govern professional conduct of corporate governance and financial reporting.

These codes help in advising how organizations and individuals ought to behave themselves in order to keep the people of trust, and keep them in order to abide by the laws and support the name of the profession.^(1,2,3,4)

8.2. Meaning and intent of Ethical Codes

An ethical code (or code of conduct) is a codified code of behaviors, values, and principles and it is the code that defines what is acceptable in a professional or organizational setting.⁽⁵⁾ Ethical codes help to:

1. Create expectations of professional behavior.
2. Encourage honesty/impartiality in decision-making.
3. Avoid conflict of interest and malpractice.

Protect social trust in a financial reporting and governance systems. Ethical codes serve as normative tools in corporate governance to apply broad ethical theories into practical advice to directors, auditors, accountants, and employees.

8.3. Ethical Codes of the Financial Reporting Council of Nigeria (FRCN) and the FRCN

The FRC Act, as amended (herein referred to as FRCN) was established with the purpose of creating a principle body that regulates financial reporting, corporate governance and professional conduct in Nigeria.

8.3.1. Objectives of the FRCN

1. To facilitate the high standard of corporate governance and financial reporting.
2. To maintain the accuracy, integrity as well as reliability in the published financial statements.
3. To maintain ethical and professional ethics to auditors, directors and accountants (FRCN Act, 2011).⁽²⁾

8.3.2. FRCN Code of Conduct and Ethics

The Code of Conduct of Professionals in FRCN and the Nigerian Code of Corporate Governance⁽¹⁾ provide the ethical requirement of the stakeholders in the corporate governance.

The major ethical principles are:

1. Integrity Professionals should be honest, and maintain ethical practices in every interaction.
2. Honesty: No bias, conflict of interest or undue influence should be used to determine the decisions.
3. Professional Competence and Due Care: It is required to be constantly professionally developed to remain competent and diligent.
4. Confidentiality: The sensitive information should be preserved and should not be disclosed to other parties unless legally obliged.
5. Professional Behavior: The professionals must act in accordance with the laws, must not act in a way that brings disrepute to the profession and they should instill confidence in the people.

The NCCG⁽¹⁾ also requires boards to foster the culture of ethics and compliance on all tiers of company organization.

8.4. OECD principles of corporate governance and ethical standards

Organization of Economic Co-operation and Development (OECD) is an important institution that influences the world governance and ethical practices. It has G20/OECD Principles of Corporate Governance that is used as the source of international best practice.

8.4.1. Principles of OECD Ethical Governance

There are six areas under concentration in the OECD Principles:

1. Still Ensuring the Basis of a Workable Governance Framework: The governance framework must advance transparency, uprightness and duty.
2. Rights and Fair Treatment of Shareholders: The shareholders should be treated justly and the minority shareholders should be sheltered against exploitation.
3. The Institutional Investors, Stock Markets and Intermediaries: These players must be ethical and transparent.
4. The Role of Stakeholders: Companies need to acknowledge the rights of stakeholders and ensure sustainability.
5. Disclosure and Transparency: Firms are required to disclose material financial as well as non-financial information in order to ensure accountability.
6. Board responsibilities: Boards are supposed to be independent in their judgment, they are expected to be ethical and to supervise ethical adherence.

8.4.2. OECD Code Ethical Aspects

The ethical focus of OECD is in:

1. Enhancing honesty and equities in business transactions.
2. Eliminating corruption and unhealthy influence.

3. Maintaining responsible corporate citizenship to the society and environment.

The OECD guidelines are the moral basis of corporate reforms in all the jurisdictions such as Nigeria, the UK and other Commonwealth countries.

8.5. Code of Ethics International Federation of Accountants (IFAC)

International Code of Ethics Professional Accountants publish is done by International Ethics Standards Board of Accountants (IESBA) which is an organization of International Federation of Accountants (IFAC).

This is a global code of ethics of accountants and auditors which is revised on a regular basis.

8.5.1. Basic Principles of the IFAC Code

1. Integrity: Be direct and honest with any professional and business associations.
2. Objectivity: Shun prejudice, conflicts of interests or influence.
3. Professional Competence and Due Care: Organize professional knowledge and skill to the necessary level.
4. Confidentiality: Hold confidentiality of information obtained.
5. Professional Behavior: Compliance with the applicable laws and regulations and do not discredit the profession.⁽³⁾

8.5.2. Ethical Threats by IFAC

Some of the ethical threats that accountants need to detect and address include:

1. Threats of self-interest (financial interest or incentive).
2. Self-review threats (auditing self).
3. Advocacy threats (selling the case of a client).
4. The threats of familiarity (close relations weakening autonomy).
5. Threats of intimidation (management pressure or client pressure).

Disclosure, exit of the engagement, or safeguards, including independent reviews are mitigation measures.⁽³⁾

8.6. Global Governance Principles International Corporate Governance Network (ICGN) Global Governance Principles

The ICGN⁽⁴⁾ advances ethical standards of governance in the world as it proposes the best practice in the board behavior, shareholder participation, and integration of ESG.

Key ethical codes include:

1. Board members are expected to do it in good faith and not conflict of interest.
2. All disclosures should be based upon transparency and integrity.
3. The shareholders ought to be responsible with their rights.
4. Companies are expected to encourage sustainability and value creation in the long run.

ICGN principles are similar to the standards offered by OECD and IFAC and have shaped the governance changes in Africa and Europe.⁽⁴⁾

8.7. UNGC and Corporate Ethics, United Nations global compact

In 2000, the United Nations Global Compact (UNGC) was established which urges companies across the globe to direct their strategies and approach towards ten universal moral principles that encompass human rights, labor, environment, and anti-corruption.

UNGC Ten Principles:

1. Human rights Support and respect.
2. Make sure that you are not complicit in human rights violation.
3. Ensuring the freedom of association and abolition of forced labor.
4. Abolish child labor.
5. Get rid of discrimination in work.
6. Be in favor of a precautionary policy towards environmental issues.
7. Market environmental responsibility.
8. Promote technologies that are environment friendly.
9. Fight corruption of every kind such as extortion and bribery.

These principles increase ethical legitimacy and trust in the world by the corporate following them.

8.8. Ethical Standards of other Nigerian Professional Bodies

Nigeria There are many local professional and regulatory agencies that have worked out ethical frameworks in accord with the international best practices:

Table 8.1. Ethical Standards of other Nigerian Professional Bodies

Agency	Relevant Ethical Framework	Key Ethical Focus
Institute of Chartered Accountants of Nigeria (ICAN)	ICAN Code of Professional Conduct and Ethics	Integrity, independence, confidentiality, competence
Association of National Accountants of Nigeria (ANAN)	ANAN Code of Ethics and Professional Conduct (Revised 2021)	Integrity, objectivity, confidentiality, due care, professional behavior
Chartered Institute of Taxation of Nigeria (CITN)	CITN Code of Ethics (2021)	Transparency, fairness, tax compliance
Nigerian Bar Association (NBA)	Rules of Professional Conduct (2020)	Integrity, justice, confidentiality
Institute of Directors (IoD) Nigeria	IoD Code of Ethics and Corporate Governance (2022)	Board integrity, leadership ethics, accountability
Securities and Exchange Commission (SEC)	Code of Corporate Governance for Public Companies (2023)	Transparency, disclosure, investor protection
Financial Reporting Council of Nigeria (FRCN)	Nigerian Code of Corporate Governance (NCCG 2018)	Accountability, transparency, sustainability
Central Bank of Nigeria (CBN)	Code of Corporate Governance for Banks and Discount Houses in Nigeria (Revised 2014)	Risk management, prudence, fiduciary responsibility
National Insurance Commission (NAICOM)	Code of Good Corporate Governance for the Insurance Industry (2009)	Fair policyholder treatment, solvency, compliance

These codes of ethics are a supplement to the guidelines provided by FRCN to provide a holistic ethical framework in the corporate environment of Nigeria.

The ethical codes of conduct are essential in corporate governance as they are crucial in determining the morals of the corporate body and the business leader or manager.

Ethical codes can be regarded as the moral compass of the governance systems. Their benefits include:

1. Facilitating trust between stakeholders and the investors.
2. Avoiding corruption, fraud and immorality.
3. The need to improve accountability and professional discipline.
4. Strengthening institutional reputation and integrity.
5. Helping to make decisions in complicated ethical problems.

Ethical codes promote good governance and sustainable development when they are strictly upheld.

8.9. Enforcement and Compliance

Ethical codes can only work when they are enforced appropriately. Mechanisms include:

1. Regulatory control: FRCN, SEC and ICAN act by imposing compliance by way of inspection, sanctions and peer review.
2. Corporate training: Accountant and director awareness and ethics training.
3. Whistle blowing mechanisms: Mechanisms of reporting unethical practices in an anonymous manner.
4. Punitive measures: Loss of licenses, fines or professional suspension as a result of violations.

Ethics are preserved within the organization as an ongoing culture and not merely a policy document because of the enforcement and the education.

Responsible governance and financial reporting rely on ethical codes. Regardless of whether the FRCN, OECD, or IFAC formulated them, they all aim at enhancing integrity, transparency, fairness, and accountability in the professional conduct.

This compliance with such international ethical standards indicates that Nigeria is dedicated to international standards of governance and economic development.

Finally, corporate ethics is not a compliance with laws and rules, it is a strategic resource which makes people more confident and makes the governmental bodies more legitimate.

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