

# **SOLUTIONS TO CORRUPTION IN THE AUDITING PROFESSION**

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## **ABSTRACT**

*This paper deals with the problem of corruption in the financial auditing profession in North America. Financial statement audits have failed to expose huge corporate scandals - including those of Enron and WorldCom. The Sarbanes-Oxley Act (SOX), which was intended to prevent further audit failures, has failed to prevent more scandals. Human Factor(HF) theorists have identified six areas of focus in the human personality that require development in order for an individual to operate efficiently, effectively and with integrity: Human Capital, Human Abilities, Aesthetic Capital, Human Potential, Moral Capital and Spiritual Capital. They believe that failure to develop employees in each of these areas leads to HF decay, which is why the audit failure exists in such high proportion. My purpose in writing this paper is to apply HF theory to the field of financial auditing in an effort to provide solutions toward the reversal of HF decay in the audit profession. The paper ends with proposed solutions to strengthen HF development in Public Accounting (PA) firms and end corruption in the auditing profession.*

## **1. INTRODUCTION**

The auditing profession is faced with a huge crisis. There have been a series of enormous corporate failures, such as Enron, WorldCom, Hollinger and Nortel, involving fraudulent audited financial statements. These audit failures have cost thousands of people their jobs and retirement savings and have also brought shame to the accounting profession and undermined our trust in the capitalist system.

The audit failures are not isolated to a few industries or a few PA firms. All the major PA firms have been involved in at least one major audit failure. Canada's Nortel Networks Corporation, a giant Canadian telecommunications equipment manufacturer, is currently undergoing criminal investigations in Canada and the United States by a joint

cross-border probe of securities regulators into its accounting practices. (Tedesco, 2004, F1). Nortel's PA firm, Deloitte & Touche, Canada's largest accounting firm, is being investigated by the governing body of the accounting profession in Ontario.

During the past few years U.S. and Canadian governments and professional bodies have tried in vain to put a stop to a lengthening series of audit failures. Their efforts have included increased legislation and governance. However, audit failure has continued in spite of these efforts.

The International Institute for Human Factor Development has stated that education, technical training and legislation are not enough to sustain healthy economic development. Development of certain personality characteristics relating to an individual's spiritual, moral, physical and intellectual aspects of being are of utmost importance for enabling government and business to function effectively. PA firms operate on the premise that individuals work effectively when aspects of their personality such as their family life, health, spirituality and aspirations beyond accounting and auditing are ignored by the public accounting (PA) firm for which they work. The PA industry cannot function effectively without developing positive human factor in its professional staff.

## **2. RECENT LEGISLATION**

In 2002, the governments in Canada and the United States reacted by tightening accounting principles, enacting legislation and by establishing new organizations to oversee accountants and corporations. President Bush signed SOX on July 30, 2002. (SOX also applies to Canadian corporations that list their shares on the US stock exchanges.) SOX's primary purpose was to set up a Public Company Accounting Oversight Board (PCAOB) with "the authority to tighten control of audit practices and report on the inspections of audit firm practices." (*Auditing: An International Approach*, 2004.)

SOX also added criminal penalties and prison terms for corporate fraud and improper document shredding, along with new restrictions on accounting firms who do consulting work for the companies they also audit. (Renzas, 2004, p.22).

In 2002, the Canadian Institute of Chartered Accountants (CICA) responded to the audit failures by creating an independent group called the Accounting Standards Oversight Council (ASOC), which oversees and provides input to the Accounting Standards Board (ASB). The ASB created new assurance (audit) standards with the intent to maintain independence and objectivity of auditors.

The accounting scandals also lead to the formation of the Canadian Public Accountability Board (CPAB), an independent organization established to oversee the auditors of public companies. The CPAB's responsibility includes public oversight, ensuring tougher audit practice inspection and introducing more rigorous quality control mechanisms for auditors of public companies.

Yet, in spite of these efforts, there has been a continuing and endless string of accounting scandals affecting each of the big four accounting firms. The increased regulations have not only failed to prevent audit failure but have also led the PA profession into a downward spiral. The increased legislation has caused an enormous increase in audit time and audit fees. (Buckstein, August 2004, p.1). PA's now have to deal with "standards overload", a problem that the president of the Institute of Chartered Accountants of British Columbia says is one of her biggest concerns. (Carle-Theisson, December 2004, p.4).

Some corporations such as Magna Corporation have privatized some of their public subsidiaries to reduce the cumbersome audit requirements. Triant Technologies, a Canadian company with revenues of 6.6 million in 2003, decided that it could not afford to issue its shares on the US stock market due to the excessive costs required to comply with SOX (Wait, December 3, 2004, p. IN1). To comply with section 404 of SOX, US companies will spend an average of 12,635 people hours internally and pay an average of 3,059 external people hours, according to a survey by Financial Executive International (Wait, December 3, 2004, p. IN1). Increased legislation and oversight has led to an exodus of more than half of the PA firms from auditing. Two hundred and fifty PA firms have chosen not to register with the Canadian Public Accountability Board (Jeffrey, September 2004, p.1).

Universities and professional bodies have "beefed up" their education and training in the area of ethics so that every accounting, tax, and auditing course includes some

discussion of ethics in every chapter or section. Clearly, increased legislation and education affecting the public accounting profession have failed to get to the root of the problem and another solution must be found.

Proponents of the HF theory state that an important indicator of HF decay in an organization or profession is the increase in legislation as is evidenced here and that effective and efficient human performance is achieved only when an organization develops positive HF in its employees.

### **3. THE PUBLIC ACCOUNTING ENVIRONMENT**

The question is: Are PA firms an environment where HF development is occurring?

#### **3.1. Heavy Emphasis on Rules**

Each of the PA bodies in Canada (Chartered Accountants, Certified General Accountants and Certified Management Accountants) affirms belief in universal principles which are delineated in the Rules of Professional Conduct (RPC), Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) that govern its members.

The RPC are usually contained in a “Members’ Handbook”. There are six principles relating to an individual member’s behaviour that are common to all the designations (*Auditing: An International Approach*, 2004, pp. 612). These are:

1. To maintain the profession’s reputation.
2. To use due care and maintain his or her professional competence.
3. To maintain independence in appearance as well as in fact.
4. To base his or her reputation on professional excellence.
5. To preserve client confidentiality.
6. To show professional courtesy to other members at all times.

GAAP are the conventions, procedures and guidelines that govern how accountants record and disclose transactions on the financial statements. It is important that public company’s annual financial statements comply with GAAP so that a

shareholder or prospective investor can compare the financial statements of two or more companies and make effective resource allocations.

GAAS are the rules and procedures that auditors must follow in carrying out their audit. The general GAAS standard relates to the personal integrity of the auditor and his/her professional qualifications. It states: “The examination should be performed and the report prepared by a person or persons having adequate technical training and proficiency in auditing, with due care and an objective state of mind” (*CICA Handbook*, 2004, Section 5100).

The rules embodied in the RPC, GAAP and GAAS are sufficient, such that if every PA abided by them at all times, there would be no corruption. The penalty of breaching these rules ranges from temporary withdrawal from the profession to permanent expulsion, including the loss of one’s PA designation. In spite of the increased focus on ethics and rules, many professional accountants continue to breach these principles. The PA profession has the moral framework to keep professionals on track, but professionals will not abide by these rules without HF development.

### **3.2. Burnout**

PA’s are required to work many overtime hours, meet unrealistic budgets and work six days a week especially during the “busy season”, the months of January through April. “As a cultural phenomenon, the busy season serves as a rite of passage into public accounting – indoctrinating the initiate to duration of markedly increased job demands.” (Chatman, 1991, p. 460). PA’s unquestioningly take for granted the extra overtime and six day weeks required during busy season. From an organizational perspective, the busy season can act as a selection mechanism to identify those employees who work effectively under the most challenging of circumstances.” (Sweeney, and Summers, 2002, p.225).

Sweeney and Summers performed a research study of job burnout on PA’s in 13 different offices and 7 States in 2002. They used the Maslach Burnout Inventory (MBI), a state-of-the-art instrument for measuring job burnout, and found that their subjects reported an average pre tax season workload of 49 hours per week and an average of 63

hours per week worked during tax season. The results of their study revealed that many PA's were already burned out before the busy season and "the additional hours worked during the busy season caused public accountants' job burnout to escalate to alarmingly high levels (Sweeney, and Summers, 2002, p.224). They concluded that the impact of the incremental workload may act as a catalyst for serious negative consequences, such as adversely affecting employee attitudes, performance and turnover (Cordes and Dougherty, 1993, pp. 621). Even health is negatively affected. "Friedman et al. (1958) found that measured serum cholesterol levels of tax accountants rose during the tax season (January to April), peaked around April 15th, and then declined significantly to a more normal range by June" and that although it is by no means the only major risk factor, elevated serum (blood) cholesterol is clearly associated with a high risk of heart disease and heart attacks (Sweeney and Summers, 2002, p. 225).

According to the research of Sweeney and Summers, once the PA becomes burned out, he/she begins to develop cynicism and reduced job efficacy. Cynicism is an attempt by the individual to cope with workload by minimizing his or her emotional investment in the job. Cynicism is identified by an indifferent attitude toward work and treating others as objects rather than people. (Sweeney and Summers, 2002, p. 226).

An individual who had developed positive HF sufficiently would recognize the cost to one's mind, body, and spirit and would leave the firm. Sweeney and Summers state that those remaining under these conditions would likely be the typical workaholic who has type 'A' behavior. "Type "A" individuals are hard-driving, competitive individuals with a strong sense of time urgency. They tend to be impatient, lose their temper, talk rapidly and interrupt others during conversations." (Kirkcaldy and Furnham, April 2002, p. 110).

These characteristics can negatively affect an audit. An auditor needs to be patient in tracking down the source of transactions. An auditor must often ask management for answers and being aggressive or interrupting others is not an effective way to elicit answers. The audit requires that public accountants perform at a high level. Burned out workers tend to perform at a reduced level. An audit is crucial to the decisions of shareholders and should not be performed under conditions of burnout.

PA firms require such a high level of commitment to the profession that many aspects of personality development are neglected and poor work performance results. Also, PA's should not be required to work so many hours because the intensity and knowledge requirements with which they must work already require considerable mental energy. Professional accountants need time to rejuvenate themselves, to read professional material and to take professional development courses in order to keep up with the rapidly changing profession.

### **3.3. Difficulty Retaining Women**

It is generally acknowledged in the public accounting profession that women are easy to recruit and difficult to retain. Women are entering the PA profession in the same numbers as men, but are not remaining in the profession in equal proportion to men. Women make up a disproportionate number of the lower ranks in the profession. In an article entitled, "Why Women Leave Public Accounting" the authors state that there are several issues that impede the promotion and retention of women in accounting including child care and family responsibilities, awareness of success criteria, cultural attitudes towards women, and the requirement of involvement in professional associations. (Scheuermann and Finch, 1998, p. 36). The authors cited the results of a New York State Society of CPA's survey which reported that approximately 70% of the female respondent's indicated that children and public accounting were incompatible. The authors also cited a survey of 100 female CPA's who had recently left public accounting positions. Forty-four percent of the questionnaire respondents indicated stress as the reason for leaving their employer. (Scheuermann, and Finch, 1998, p. 37).

Collins and Killough in a survey of 1,200 CPA's identified "conflict between work and family stemming from lack of sufficient time for leisure and family activities," and working long hours as the two major sources of stress in public accounting. (Collins and Killough, 1992, p. 535). The conflict between work and home life can only be exacerbated by working more hours as is required in the profession. Consequently, there are very few women partners because women are usually not able to commit the same number of hours to their profession as men. (Sweeney and Summers, 2002, p. 227).

HF theorists believe that no profession should be incompatible with the raising of children and involvement in family activities.

### **3.4. Conclusion to the PA Environment**

I note three symptoms of HF deficit in the PA profession:

1. The PA profession is heavily reliant on the ever increasing rules over the profession and abundance of them. However, ensuring compliance with these rules is difficult, in spite of severe disciplinary procedures.
2. Burnout is a key factor in PA work. Burnout leads to a cynical attitude, a disregard of the work and of the client and poor work performance. An audit is crucial to the decisions of shareholders and should not be performed under conditions of burnout.
3. It is difficult to retain women in PA firms. Seventy percent of female survey respondent's indicated that children and public accounting were incompatible. Twelve hundred female respondents indicated that the conflict between work and family in PA firms stemmed from lack of sufficient time for leisure and family activities.

## **4. BEHAVIOUR OF PROFESSIONAL STAFF IN PUBLIC ACCOUNTING FIRMS**

What is the reaction of professional staff to the PA environment?

### **4.1. Overriding the First Examination Standard**

We can also see symptoms of HF decay in PA firms by observing how professional accountants abide by the rules of the profession. Professional accountants routinely disregard the first examination standard included in the Generally Accepted Auditing Standards (GAAS).

The first GAAS examination standard states:

The work should be adequately planned and properly executed. If assistants are employed they should be properly supervised.

This standard requires that assistants be properly supervised. Only PA firms designated by the provincial institutes are entitled to hire assistants to work on audits. PA firms routinely hire “articling” students who are in the process of becoming CA’s or CPAs in order to improve their profit margins.

Articling students are university graduates who are enrolled in the CASB program. They are underpaid and forced to work many unpaid overtime hours. The articling process operates under the pretence of training new professionals, but is really an excuse for cheap labor. The relationship of articling student to the firm is much like that of an indentured servant to its master. Articling students perform as much as forty percent of the audit work. This is a cost-effective way of managing the audit. It may be efficient, but may not be effective from the point of view of audit quality.

I have enquired recently of many of my former accounting students about how they are supervised by PA firms. Inevitably, the answer is that their PA firm usually dismisses its obligation to supervise by delivering some initial training sessions, handing the assistant the prior year’s audit file and reviewing their work upon completion. The PA in-charge of the audit usually does not ensure that the assistants properly understand the reasoning behind the audit procedure they are about to perform and that the assistants recognize evidence of an error should they come across one. The PA in-charge of the audit usually appears too busy to be interrupted by assistants with anything but the most crucial questions. Consequently, in my opinion, too large a percentage of the audit is being performed by assistants who are not being properly supervised.

## **4.2. Overriding the Second GAAS Examination Standard**

In an article entitled “Audit Risk Assessment”, appearing in CGA Magazine, auditor, Bolduc (2004, p. 4) explains that auditors commonly override the second GAAS examination standard which states that the auditor must have a sufficient understanding of the client’s control system to plan the audit.

Bolduc used the example of an audit where the client’s internal control system description was incomplete and had not been updated for seven years. Bolduc believed that an updated and complete system description was required for planning the audit. She spent time updating and completing the system description and in doing so exceeded the audit budget. The partner on the audit told her that it was unnecessary for her to do this extra work because the company did not represent a risk to the firm. Bolduc knew that she had carried out her duties with diligence and due care and that without the updated systems description the auditors would not have been able to carry out the audit in accordance with GAAS. Bolduc concludes that “Accounting firms must complete engagements by the agreed-upon deadline. Audit fees are negotiated by the partners prior to the risk assessment, and then the auditor in-charge must plan the work so that it will be completed in time. This means that there likely isn’t enough time in the budget to complete the work deemed necessary according to the audit risk assessment” (Bolduc, 2004, p. 4). In my experience, I find this to be an accurate account of how audit work was managed.

## **4.3. Conclusion to Behaviour of Professional Staff in PA Firms**

It is easy to see the symptoms of HF deficit here. Auditors are type “A” personalities who are in a hurry to complete the audit with a good profit margin. Consequently, a significant proportion of the audit is performed by articling students who lack the experience necessary to make sound professional judgment calls and who are inadequately supervised. Also, managers and partners of PA firms sacrifice audit quality by overriding audit standards in order to ensure an adequate profit margin on the job.

## 5. HUMAN FACTOR DEVELOPMENT

Researchers from the International Institute for Human Factor Development (IIHFD) believe that nurturing an individual toward wholeness will produce personal characteristics such as integrity, accountability, responsibility, commitment, diligence and competence. The lack of these personal characteristics “has led to the creation of unbearable social, economic, and political problems for many societies.” (Adjibolosoo, 1996, pp. 1-26).

The PA firms have focused solely on developing human capital, the skills and the know-how of the profession. Recently, there has been a focus on moral capital by increasing education on the application of ethics to auditing. However, other aspects of HF have been ignored to the detriment of the individual employees, the shareholders, the clients and the PA firm. Adjibolosoo (2004, pp. 18) argues that:

“The human factor concept or theory is about the impact of personality characteristics or traits on people’s performance effectiveness and efficiency. It is the quality of the HF that determines how people lead and manage their organizations to perform or not perform over time. The HF concept is, therefore, more concerned about the human quality and its significance to human performance rather than workplace conditions such as the characteristics of tools, machines, philosophies, policies, practices, atmospheres, and so on and their impact on employee performance. Though it is true that existing workplace conditions may affect the quality of a person’s HF, it is the HF that creates what these workplace conditions are in the first place. Thus from this perspective, the quality of the HF is eminently crucial to the success or failure of every human endeavor. It is, therefore, the primary factor that gives shape and form to all other factors that impact the work environment in the long-term.”

HF Development theorists have identified six areas of focus: Human Capital, Human Abilities, Aesthetic Capital, Human Potential, Moral Capital and Spiritual Capital.

## **5.1. Human Capital**

Human Capital consists of “the know-how and acquired skills, human experiences, knowledge, intelligence, physical well-being, emotional health etc” (Adjibolosoo, 2004, p. 24). Certified Professional Accountants (CPA’s.) in the United States and Chartered Accountants (CA’s) in Canada are encouraged to develop some areas of human capital, while other areas are ignored. All CPA’s and CA’s have received a long and intense formal education along with lengthy experience requirements. However, physical and emotional health issues are ignored by the PA profession.

In British Columbia, Canada, the formal education consists of the following: a CA candidate must have, at minimum, a Bachelors degree including 9 accounting courses and some other courses which are listed prerequisite courses to the CA articling program. Next, one must apply for a full-time CA articling position in an approved CA training office where he/she must complete a minimum of 30 months of full-time work, being directly supervised by Chartered Accountants. Simultaneously, the candidate enrolls in the Provincial Institute of Chartered Accountants’ graduate education program called “The CA School of Business”, (CASB). CASB is a non-profit organization formed in 2000 by the Institutes of Chartered Accountants in Alberta, British Columbia, Manitoba and Saskatchewan to prepare and qualify CA’s. After completing CASB, one is prepared to write the Uniform Evaluation (UFE), a comprehensive multi-day exam. The articling student then completes a Focus Module that allows him/her to concentrate in one specialized area of the accounting profession. After successfully completing the UFE, one becomes a designated CA. Only the most determined students complete the process. Also, continued professional development is a requirement of membership in the profession.

## **5.2. Human Abilities**

“Human abilities” refers to the various competencies an individual possesses. The Institute of Chartered Accountants’ of the western provinces have a strong focus on human abilities via the CASB. The CASB website ([www.casb.com](http://www.casb.com)) states that its

program is competency-based: “The program [CASB] is competency-based and through a combination of graduate-style education, practical experience and exposure to standards and ethics of the highest calibre, CASB students become “business-ready” CA's. CASB has developed a “CA Competency Map” which lays out the range of competencies a newly qualified CA is expected to demonstrate in the areas of finance, taxation, assurance, performance measurement, information and information technology.

### **5.3. Aesthetic Capital**

Aesthetic capital consists of a love for beauty, a strong passion for music, art, drama, dance and other artistic endeavors. (Adjibolosoo, 2004, p. 24). Accounting and auditing may not be considered to be “art”; however, it could be argued that the way that accounting principles balance such things as relevance, reliability, consistency, comparability, materiality and cost-effectiveness is artful. Creativity is seen in the PA’s use of professional judgment to decide the most suitable accounting method to use from amongst a variety of alternatives, the ability of the accountant to save a company taxes by the arrangement of its affairs or by the PA’s advice on how to streamline the accounting system and put in place effective controls to prevent and detect error and fraud. However, PA’s may have an appreciation for other forms of beauty such as fine art, architecture, music or drama and may be interested in participating in one of these. The problem is that the time pressures imposed upon the PA make involvement in these activities difficult. This is especially a problem for women, who generally have more family responsibilities in addition to their work. This means that professional accountants may be stifled in this

aspect of their personal development in this area and which may negatively affect one's work and may eventually lead to inefficiency and perhaps, depression.

#### **5.4. Human Potential**

Human potential consists of talents that one has not yet discovered, gifts that one has the potential to use, but has not yet tapped into. An individual may never have played the violin, yet has the potential and desire to do so. Most individuals have another side to their personality besides their work – a potential talent – he/she would like to develop if time permitted. To be fair to the profession, groups of accountants gather to follow interests such as art, history and skiing. However, as in the case of aesthetic capital, the massive amount of overtime required of PA's means that their human potential for the most part is stifled and redirected toward professional success.

#### **5.5. Moral Capital**

Rubin and Adu-Febiri state that although some academics may argue that truth is relative, there are universal principles of right and wrong that transcend cultural differences. These would be for example integrity, honesty and fairness. They describe moral capital as being comprised of two aspects: first, the wisdom to discriminate between right and wrong, and second, the ability to defer enjoyment for the greater good. (Adu-Febiri and Rubin, 2004, p. 117) While PA firms believe in these principles and have included them in their RPC, many of their professional staff are not abiding by them. It appears that a moral structure cannot be imposed from outside the individual, but must emanate from within.

Although the PA profession has focused more energy on education of ethics by familiarizing its members with examples of ethical dilemmas that could occur in the workplace, it has not encouraged its members to rehearse the consequences of breaches of professional standards. An exercise that might prove useful would be for each PA to be required to write an essay reflecting the personal consequences that would result from a serious breach of professional conduct – consequences such as:

1. Loss of PA designation
2. Loss of Job
3. Difficulty finding a new job
4. Personal shame
5. Loss of respect from family and friends
6. Having to sell one's house and move to another neighbourhood
7. Disruption to family life as family adjusts to lower standard of living, new location, friends and school
8. Possible divorce and difficulty seeing the children
9. Shame brought to the entire PA profession
10. More rules and oversight causing more work to those who continue in the PA profession
11. The negative impact on the local and national economy through massive job losses
12. Negatively affecting the stock market
13. Many losing their retirement savings
14. Suicides, murders

## **5.6. Spiritual Capital**

Adjibolosoo states that spiritual capital “equips the individual to see beyond what the five senses are able to grasp and also furnishes him or her with deeper insights into the non-material world” (Adjibolosoo, 2004, p. 24). The individual with spiritual capital knows that there is a greater purpose for work than personal success, money and power. This individual recognizes that work is valuable and honorable in that it contributes to the well-being of the community as a whole.

This is one of the most important areas of human factor development for strengthening an individual’s integrity and honesty and it is completely ignored by the PA firm and the professional bodies. This aspect of human factor development is one which, if promoted by the PA firms, would serve to strengthen the auditors’ commitment to the shareholders and to the firm.

## **6. PROPOSED SOLUTIONS TO HUMAN FACTOR DEFICIT IN PUBLIC ACCOUNTING FIRMS**

PA firms need to foster HF development in all their professional staff. This would be accomplished by:

1. Cutting all the staff’s hours down to a maximum of 40 hours per week at all times of the year, including the busy season. Canadian federal and provincial government offices generally require their employees to work 35 to 37.5 hours per week or 7 to 7.5 hours per day. Since there are more single parent families and more fathers involved in child-rearing than a decade ago, a 7 hour day would permit an employee to drop off children at school and be home by 4:30 or 5pm to make dinner and attend to the children. Lunch breaks, coffee breaks and holidays should be mandatory. This would include those aspiring to be managers or partners. Maintaining a maximum of 40 working hours a week would enable staff to have time with family and time for growth in other forms of HF development.

2. Equalizing salaries so that all professional staff receives a wage capable of sustaining the professional and his/her family at a reasonable level. The steps in wages leading to manager and partner should not be so steep.
3. Encouraging spiritual growth by offering group discussions led by educators or religious parties from a variety of backgrounds. The aim of these meetings would be to expose staff to different perspectives on spiritual issues and permit open thought on issues such as the purpose of one's existence and the purpose of conducting business and the value of good work.
4. The PA firm should encourage and provide some funding for the formation of staff interest groups such as music, poetry, fashion, art, history and other subjects. This would show employees the importance of human aesthetic and human potential development in their lives.
5. The PA firm should have family get-togethers on weekends or evenings when the professional staff and their families can get to know one another. This would instill in their employees the importance of family involvement in their overall development and show them that family and work responsibilities are compatible.
6. Firms should provide professional development in the areas of physical and nutritional health by inviting expert speakers in these areas. The firms should promote the formation of physical activity teams that perhaps compete with one another. Walking groups could be formed at no expense and could take place at lunch time for half an hour. Again, this would show employees the importance of HF development in their lives and emphasize the firm's commitment to HF development.
7. Child care and personal leave should be offered to encourage women, and fathers providing childcare, to remain in the PA profession. Means of advancement should be equal for all staff and based upon experience and competence, not merely one's ability to clock large amounts of overtime.
8. PC's should be required to reflect personally on the consequences of breach of professional conduct and to see how it would affect their own lives and that their actions could have tremendously far reaching effects.

## 7. CONCLUSION

It is clear from the events of the past few years that the culture in the PA firms is not fostering the required quality HF to produce individuals with integrity, accountability, responsibility, commitment, and trustworthiness. Instead, professional accountants are well aware of the ethical issues and are choosing to disregard them for material gain. The recent onslaught of legislation has not improved the situation, but has created a greater burden for accountants and businesses alike, increasing the likelihood for further corruption. In my opinion the PA firm represents an archaic business model that has been proven to be ineffective. The model ignores most aspects of an individual's personal development and causes HF decay.

It is surprising that as advanced as PA firms are, they do not realize that they would be much more effective in fostering integrity honesty and abidance of the many rules if they developed HF characteristics in their staff. There are no two activities that instill honesty and integrity more than spiritual contemplation and family involvement. People are not one- dimensional and need to have time for other interests and physical activity to be happy and well-rounded individuals. This wholeness is what enables individuals to desire to do good works for others.

A professional accountants' work is intense due to the quantity of information one is required to keep abreast of and the fact that it is increasing and changing rapidly. Given the stamina and determination required, it seems odd to me that PA firms do not educate and strongly encourage their staff in the areas of physical and emotional health.

With professional staff being burned out and stifled in the areas of Spiritual Capital, Aesthetic capital, Human Potentials, family life and physical health, the only force motivating them has been the money and prestige. Only individuals who are willing to succeed at the cost of their families, their personal development needs and their health remain in the profession. Those attaining the level of partnership have been richly rewarded materially. They are, however, weak in the quality of the HF. This has opened the doors to corruption.

It is my belief that the string of audit failures will continue until PA firms create an environment where positive HF quality is developed and promoted in their employees. The staff will thrive when PA firms enable their professional staff to work toward a wholeness of mind, body and spirit. Only then will professional accountants be able to abide by the principles embodied in RPC, GAAP and GAAS. Until such time, the PA profession will continue to suffer from the effects of corruption with standards overload, large liability lawsuits, dishonor and shame to themselves and the PA profession.

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