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Questions of ethics and etiquette in the Society of Accountants in Edinburgh 1853-1951

Abstract

The intangible qualities of honesty and integrity are essential elements of the ethos of the accounting profession. They are part of the make-up of the trustworthy accountant. Their absence can often cause public criticism not just of the individual concerned but also of the whole profession. The evolution of a code of ethics to instil the proper qualities and a system to monitor compliance are parts of a continuing process. In the same vein as Preston et al. (1995), we reflect on the changing and continuous nature of questions of professional ethics within the Society of Accountants in Edinburgh. Using the Society's archives, we present a review of the questions which vexed early leaders of that body during nearly a century of its existence. While many aspects of professional life may be vastly changed, a number of issues relating to acceptable conduct remain much as they were 100 or more years ago. The professional accounting bodies in Britain were not quick to adopt rigid standards or codes of ethics, preferring instead to make ad hoc decisions which established general principles; in this sense, the rules-based versus principles-based approach to regulation has a long history. Our historical analysis of these issues helps place current concerns about professional conduct into an appropriate temporal perspective and demonstrates the deep-rooted nature of challenges in forming a notion of professional ethics. We focus on issues such as members committing criminal acts, problems with delineating the professional space, advertising and the quality of training of apprentice accountants. The paper adds to our understanding of the creation of an

ethical framework governing the behaviour of professional accountants in one jurisdiction during the first century of the existence of an organised profession. The presentation of individual cases provides a personal touch and depth to the analysis.

Keywords: professional ethics, professionalisation, etiquette, professional discipline.

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Questions of ethics and etiquette in the Society of Accountants in Edinburgh 1853-1951

Introduction

McMillan (2004) powerfully illustrates the value of public trust in the function of accounting. Trust is based on a perception by the public that accounting practitioners maintain high standards of conduct. Sociologists and others have invested significant resources in studying the subject of ethics and its role in the development of professional or occupational groupings. However, May (1988) claimed that academic ethicists had largely ignored the subject of professional self-regulation and disciplinary action. In the meantime within the accounting field, much work on professionalisation, ethics and discipline has been done (for example Lee, 1995; Moriarity, 2000). For an extensive and reasonably recent review of the broad range of literature on professionalisation and professionalism, see Pierce (2006).

Creating a profession which was deemed worthy of public trust was essential to the professional project of accountants. Although Walker (1995) has shown that the occupational grouping of accountants needed no organisational structure to gain respectability, action to organise was prompted by an external shock (in the form of new legislation which threatened its dominant position in the market place). Once the movement towards occupational closure was underway, other trappings of professional respectability (such as tests of fitness to be admitted as a member and standards of acceptable conduct) were inevitable, though they may have been slow to take concrete shape.

Earlier writers on the development of the accounting profession often make little more than a passing reference to aspects of professional etiquette and ethics. For example, Woolf (1912), with reference to the Institute of Chartered Accountants in England and Wales (ICAEW), suggested that there was a 'need for authoritative decisions on questions affecting professional etiquette'. He foresaw a rise in ethical problems with the growth of the profession and called on the ICAEW Council to devote itself to the formation of 'a code of ethics'. But for many years, little would be done to define either good etiquette or professional ethics and certainly not in a way that would amount to the production of a code. At this stage it is important first to acknowledge a difference between ethics (doing the right things) and etiquette (doing things politely/decently) and then to admit that it is not always easy to make that distinction when it comes to matters of professional conduct. The use of the two terms in this paper may appear at times rather loose but this merely reflects the lack of clarity in the original material.

When a professional grouping is small, policing the character and conduct of practitioners can be done in informal ways especially when the membership is confined to a narrow geographical area. As the membership grows and spreads it is more difficult to monitor practitioners' behaviour and the need for more formal mechanisms increases. In concluding his review of the history of accounting and accountants, Brown (1905: 338) stressed the importance of ethical values, urging the professional societies and their members to commit themselves to the maintenance of 'the strictest code of professional morality'. Parker (1986: 60) attributes the source of this morality to the non-conformism of nineteenth century Scotland whose 'ethic was well suited to a new profession where integrity, honesty and a willingness to work hard were valuable attributes'.

The ICAEW's own historian (Howitt, 1966) makes only a few references to matters of ethical conduct in the nineteenth century; for example, Howitt (1966: 14-15) notes that sharing a business with non-accountants was considered unprofessional conduct. He also notes that advertising by accountants, which had long been a thorny issue, had 'entirely died out as a practice' by 1907 (Howitt, 1966: 27-28). Yet Howitt (1966: 51-52) later contradicts himself when he refers to the fact that in 1911 the ICAEW President had strong words to say about accountants advertising. Some aspects of unprofessional conduct were obviously not going to disappear overnight.

The need to comply with ethical standards and disciplinary codes was seen by Stacey (1954: 66) as a factor which distinguished the qualified accountant from his or her unqualified competitors. *The Accountant* (November 13, 1926: 664) had called for members of the profession to be trained up to a 'rigid code of ethics as well as up to a high standard of technical competence' (cited in Stacey, 1954: 120). Elsewhere Poullaos (2009: 256), reviewing professionalisation in Canada, remarks that 'ineluctably, we must have character, regrettably we must have ethical rules as well'. While the notion of an ethical code being a prerequisite for professional status may be dismissed as belonging to an outmoded functionalist approach to studying the professions, nevertheless it is very evident from the archives of various professional bodies that decisions on what *was* and what was *not* acceptable behaviour consumed a great deal of the time of the profession's leaders in Scotland as well as in England and Wales. From the debates, no doubt heated at times, the Councils of the various bodies concocted the 'rules', albeit on an ad hoc basis.

The situation is markedly different today. Now there are many rules and regulations; for example, the International Federation of Accountants (IFAC) has issued a Code of Ethics for Professional Accountants which is intended to be adopted by all IFAC member bodies and is the basis for the UK profession's Ethical Standards.

The professional body in Scotland has gone one step further. In a ground-breaking move, in 2012 the Institute of Chartered Accountants of Scotland (ICAS) introduced a requirement that, before being admitted into ICAS membership, candidates should have to pledge an oath which emphasises not technical competence but ethical conduct:

‘I declare that I will conduct myself in a manner that maintains and enhances my own professional reputation, that of my fellow members and ICAS. As a CA, I commit myself to acting in the public interest and will conduct myself with integrity, objectivity and in accordance with the high ethical standards of ICAS.’

A high value is placed on members of a profession upholding standards of personal and professional conduct. The paper that follows is based on an analysis of the archives of the Society of Accountants in Edinburgh (‘the Society’) from its foundation in 1853 until 1951 when it merged with the other two bodies formed in Scottish cities (Glasgow and Aberdeen) to form ICAS. The researcher was granted access to much, but not all, of the archival material kept in the National Archives, Edinburgh. All references in this paper beginning with the prefix ‘GD470’ are to the various volumes in this archive. The main research aim was to extend the existing literature on professionalization by conducting an examination of the problems which befell the world's first professional accounting body and to review that body's various responses to those problems.

The criteria for selecting content to be analysed included matter which could be considered to be substantively connected with 'ethics', 'etiquette', or 'professional conduct'. The researcher's interest focussed on those cases which marked the start of, or a change in, the institutional position on a particular matter. However, it is difficult to chart a smooth process or evolution in ethical values; as Birkett and Evans (2005: 203) comment, 'discussion about professions generally has said little about processes – possibly because those processes are typically idiosyncratic and do not allow any prototype to be inferred easily'.

The present endeavour was beset by gaps in the archives and restrictions on access to some of the relatively recent material. Despite the limitations, a picture can be formed of the sorts of issues which exercised the minds of those at the head of one of the professional bodies in Scotland during the formative period of the profession and beyond into the twentieth century when questions of ethics would be increasingly influenced if not determined by forces of a more international character.

The paper begins with a review of the literature on professionalisation with a particular focus on the emergence of codes of conduct and the prospect of disciplinary action to control unbecoming behaviour. We then move on to present the archival evidence. The material is arranged thematically with various issues relating to the development of a sense of professional ethics and etiquette. We begin the section with some of the more serious cases leading to the expulsion of members before moving on to consider issues such as boundary disputes, advertising and touting for business, other aspects of unprofessional conduct and concerns about the training of apprentices. The paper ends with some concluding remarks.

Literature review

Birkett and Evans (2005: 121) warn us that ‘a growing literature which considers the professionalisation of accounting drawing on the sociology of professions literature ... remains, in many instances, fragmented and disordered’. The current section attempts to create some order from that literature by drawing out the main themes which will prove useful in establishing a basis for analysing the archival material.

Drawing upon the established professions, Roy and MacNeill (1966: 31) note that the criteria for a profession include a governing set of ethical principles and procedures for disciplining those who breach the principles. Larson (1977) identifies the establishing of norms of practice as a stage in the professional project, second only to physically creating the union of professionals. Such norms inevitably emphasise behavioural characteristics. As Carr-Saunders and Wilson (1933) reported in their seminal work on the professions, most professional codes of ethics include inter alia a commitment to uphold the virtues of honesty and integrity.

Harris (1994: 104 and 108) notes that many professional codes contain instructions on how members are to behave in order to indicate ‘how one ought to act if one is to act ethically’ and that ‘many codes mention virtues as ones to which members should conform. Examples include: integrity, honesty, fidelity, probity and impartiality’. Early ‘codes’ of conduct were unwritten and were often policed by an informal system of peer pressure. Such ad hoc arrangements might have been sufficient in the early days of a professional body’s development, when the geographical dispersion of its members was limited; a word of warning

or advice from a senior member in the vicinity may have been enough to discourage what was considered to be improper behaviour. In addition, as Walker (1996: 11) suggests, one explanation of early bodies *not* formulating written disciplinary processes may have been due to a reluctance to admit that bad behaviour by their members was even possible. However, the need for ethical standards to become formalised and for enforcement mechanisms to become more visible grew with the increase in membership numbers over a wider geographical area and also with the rise in the economic importance of the profession.

The tensions so created are evident in the discourses surrounding fundamental questions about whether accountants as individuals should pursue their private interests or protect the interests of the investing public (Lee, 1995) and whether the *raison d'être* of their professional organisations was to lobby regulators or government on behalf of their members or to regulate their members' behaviour on behalf of society at large. In the 21st century there is still ambiguity concerning which of these roles is or should be the dominant one and perhaps the tensions so created may never be capable of final resolution. Following an analysis of the Quebec experience, Bedard (2001) suggests that the extent to which the public interest takes precedence over private interests depends on the degree of regulation and public participation in the disciplinary process.

A code of conduct attempts to control members' behaviour (Barber, 1988: 36; Bayles, 1981: 8; Caplow, 1954: 139; Wilensky, 1964: 142-146) and to project to a possibly suspicious public the impression that members of that profession can be trusted (Abbott, 1988: 61; Sriram 1997: 69). The duality of such notions of ethical conduct in the accounting context has intrigued commentators (for example, Fisher et al., 2001; Parker, 1987 and 1994).

Hayry and Hayry (1994: 139) consider the role of professional codes in the following terms, 'the function of professional codes is to justify legitimate professional actions by pointing out their relationship with the needs, desires, preferences, values and interests they are supposed to serve, and by defining and rejecting those professional actions which are overly harmful or otherwise immoral'. For more detailed examinations of early cases involving accountants' 'harmful or otherwise immoral' actions, see Walker (1996) and Chandler et al. (2008).

Kultgen (1988: 7) states that industrialisation created the circumstances in which professionalisation could flourish. Being located at the heart of the commercial system fed by advances in technology and industry, accountants were presented with an almost unique opportunity to see the fruits of private enterprise and risk-taking and were naturally attracted to taking a share in these increases in private wealth. Professional bodies had to use persuasion and propaganda if they were fully to exploit the opportunities presented by an increasingly entrepreneurial society (Perkin, 1989: 6). In this respect, the role of ethical standards may be seen as part of a public relations exercise, most notably when some institutional action is considered to be necessary following an unpleasant revelation or a public scandal (Citron, 2003).

For much of their history, professional bodies have tended to *react* to breaches of their ethics codes rather than *proactively* seeking to discover such breaches for themselves. Even as late as the 1980s, Freidson (1986: 187) commented that few professional associations 'have any really viable machinery by which to search out violations and undertake to correct them'. This

was no doubt true for much of the history of the accounting profession in the UK; it is really only since the early 1990s that there has been a mechanism enabling the profession's regulators proactively to check on practitioners' compliance with professional standards. As will be seen, before then the regulators' stance was purely reactionary.

Archival evidence on issues of ethical conduct and etiquette

On January 31 1853, a meeting of accountants in Edinburgh was held at the Gibbs Royal Hotel. Mr Archibold Borthwick, after referring to the important duties which accountants practising in Edinburgh were called upon to perform, remarked that by establishing an association of accountants they were attempting to have 'important duties intrusted only to those who were qualified by their education and business acquirements to fulfil them with credit' (GD470/1/1: 6). The Society was awarded its Charter the following year (for a detailed account of the events leading up to the Society's formation see Lee (1996)).

The Society's archives date from this first meeting and an examination thereof reveals the extent of the issues which challenged those at the head of the chartered accountants' profession in Scotland from the Victorian era through to 1951. These ranged from serious incidents of a criminal nature to matters, such as advertising, which initially offended the existing notions of what it was to be a professional gentleman.

Criminal acts

As emphasised by Carr-Saunders and Wilson (1933), it was paramount for members of a self-styled elite professional body to be seen to be men of integrity and honesty. To have a criminal conviction would simply not do.

Walker (1996) has brought to light the earliest two cases of disciplinary action against members of the Society. The conduct of Henry Callender had caused problems from an early stage. He had attempted the late registration of two indentures ('training contracts for students', in today's parlance), one of which had commenced in April 1858 and the other in January 1860. The Council meeting on February 6, 1861, refused to register the indentures because the time limit allowed for registration (six months from commencement) had been exceeded (GD470/1/1: 115). But his more serious offence came in January 1873; the Council was forced to acknowledge newspaper reports that Callender had left the country for America 'under heavy charges' (clients' money was missing). The Council quickly and quietly disposed of this 'unhappy position' by simply removing his name from the list of members (GD470/1/1: 200) – by which action Callender acquired the dubious distinction of being the first accountant in the world to be excluded from his professional body on the grounds of misconduct.

Walker (1996) also reports the case of another Edinburgh accountant which occurred ten years later. On December 5 1882, the 'very painful rumours' concerning another member, D. S. Peddie, hit the newspapers and the Society's Council was compelled to consider the matter. The President suggested that, as the members' list did not need to be drawn up for another few months, it might be possible to do nothing until either Peddie had been convicted or outlawed (GD470/1/1: 312). However, at a meeting on January 3, 1883, the Council decided not to delay and passed a motion to remove Peddie's name from the list. At the same time it was proposed

that the Society's Bye-laws be amended to give to the Society's President and Council the power to expel a member found guilty of a 'Breach of Trust, Fraud or Misdemeanour of a similar kind' (GD470/1/1: 316). This proposal itself was amended to ensure that authority to expel members rested on the Society's membership voting at a general meeting (Walker and Lee, 1999: 324-5).

It would seem that, for another twenty years, there was no need to exercise these powers until, shortly after the start of the new century, complaints about the behaviour of a member appeared in the newspapers. On December 29, 1902, the Society's Secretary had written to Robert Morton, who had acted in a bankruptcy case during which allegations were made against another member of the Society (GD470/1/103: 676). In January 1903, the Council was made aware of these allegations but took no action, instead deciding to keep a careful watch on the matter (GD470/1/2: 358). In the middle of March, more detail came to light when it was revealed that the subject of the allegations, J. M. Newton, had left the country (GD470/1/2: 360). In May, Newton was publicly accused of fraud (GD470/1/2: 365) and an 'intimation' (summons) was taken out against him (GD470/1/2: 370). Confirmation that Newton had absconded came when the Society's letter to him was returned unopened at the start of June 1903 (GD470/1/2: 372). Morton, as judicial factor (the Scottish term for an agent appointed by the Court to manage the estate of a person under some incapacity) of Newton's estate, attended before the Council to give information on Newton (GD470/1/103: 855; GD470/1/2: 374). Unfortunately, it is not clear from the records how the matter was resolved but it is most likely that Newton would have been expelled.

During the First World War, one member of the Society, by the name of William Goodsir, was convicted of trading with the enemy (GD470/1/3: 241). The Council considered his case in November 1915. Ordinarily Goodsir would have been expelled straight away. However, as an appeal was anticipated, action on the matter was delayed. Goodsir was eventually excluded from membership in 1916 (GD/470/1/15: 291). Some sins could not be forgiven despite the passage of time: ten years later, in 1925, Goodsir's request to be reinstated was denied (GD470/1/4: 253).

That there were only four expulsions for unbecoming conduct during the period 1854-1916 speaks volumes for the integrity of the profession's members, its admissions processes and the unrecorded, informal system of monitoring members' behaviour which may have prevented some members from straying. South of the border, as reported by Chandler et al. (2008), there were three times as many expulsions just from the ICAEW's original 600 members in the period 1880-1900 alone. However, although rare, each conviction of a member necessarily damaged the reputation of an occupational group that tried to project an image of a membership who consisted of better and more trustworthy accountants than those who were not members. Emphasising its elitist values was an important part of the role of the professional body in trying to justify the premium its members sought to charge. Any blurring of the line of demarcation between chartered and unchartered was unwelcome. Those who were not members of the elite should not project an image that they were members; equally, those who had been admitted should not do work that was considered beneath their status. Over the years, there was no shortage of cases that tested the clarity of this line.

'Boundary' disputes

Not surprisingly, as in England (and Wales), a considerable amount of attention was directed by the profession's leaders to the question of 'intra-occupational conflict' (Walker 2004: 85). The public were frequently warned of the dangers of using the services of unqualified accountants who were portrayed as incompetent or unscrupulous; in contrast those who *were* judged to be fit and proper to be allowed into the professional fold, could be relied on to uphold the strongest principles of honesty and integrity. On the success of this narrative of protecting the *public* interest depended the advancement of the *private* interests of the accounting elite.

At an early stage, the Scottish bodies tried to create a distinction between their members and other accountants (even those qualified to be members of other professional societies). Despite having obtained a Royal Charter and having gained the right for its members to use the designation 'Chartered Accountant' or 'CA', it would seem that the Society had not convinced all of its own members of the advantages of signalling their membership of an elite body (this was especially true of its older members, see Walker (1991)). At the Annual General Meeting in 1856, the members needed to be reminded that they should parade their membership of the Society by using the letters 'CA' after their names (GD470/1/10: 28-30). Years later, this sort of lapse remained a problem. In April 1899, the attention of the Council was drawn to a prospectus which referred to a firm of Chartered Accountants merely as 'accountants' without the use of the word 'chartered'. Perhaps surprisingly, the Council felt that it was powerless to take any action (GD470/1/2: 304). Again, in March 1903, it was reported that even the leading firms appeared reluctant to use the abbreviation 'CA' (GD470/1/2: 362).

While some members may have been slow on the uptake, some non-members were only too keen to use the designation 'CA'. Those who attempted to pass themselves off as members

were quick to hear from the Society. When Thomas Lindsay, a Fellow of the Institute of Accountants (which was based in London but without a Royal Charter), advertised as a CA in the Edinburgh papers, a memorial signed by thirteen members of the Society was sent to the Society's secretary. The matter was considered to be sufficiently serious for a meeting of the President and Council to be called on February 13, 1878. The signatories to the memorial appealed to the Council to take steps to stop this practice in order to protect the interests of the members, especially the younger entrants to the profession (GD470/1/1: 252). The Council decided that a counter-advertisement should be placed to draw attention to the inaccuracy of Lindsay's designation. In addition, James Howden, the Society's secretary wrote to Lindsay asking him to desist from using the designation CA.

On February 23, 1878, Lindsay replied saying that he had taken steps to correct any inaccurate assumption that he was connected to the Society but he challenged the Society's assertion that only its members were entitled to use the CA title (GD470/1/1: 260). Nevertheless, he offered to continue to cooperate with the Society's members 'not in any narrow or jealous spirit but with a simple desire to discharge the Professional duties with which we may be entrusted for the best interests of our employers'. Howden replied with a veiled threat that the Society 'will be prepared to protect the interests of its members in regard to the designation' and the Council will be prepared to 'adopt such measures as they may deem necessary to correct the misapprehension thus created' (GD470/1/1: 262-3). The matter was not resolved by this exchange of correspondence and on March 12, 1878, the Society placed a short notice in the papers alerting the public to the fact that Lindsay was not one of its members (GD470/1/1: 264). A week later Lindsay claimed that he had been tempted to respond with an advertisement of his own but he had resisted. He complained to the Society that marked copies of the newspapers of March 12 had been sent to 'many persons and in particular to [his] clients'

(GD470/1/1: 266). He stopped short of accusing the Society itself of using such a tactic against a member of another Society of 'equal standing in the profession' but he emphasised that 'it was the Society who had given its members who may be influenced by feelings of petty jealousy or disappointment through the operation of business, a weapon [the Society's advertisement] which may be used in a manner the Society did not anticipate' (GD470/1/1: 267).

It was not long before others started to do the same as Lindsay. In some later cases their position was rather stronger than his had been since, on May 11, 1880, the ICAEW gained its own Royal Charter and its members may have felt equally entitled to style themselves 'CAs'. January 1881 saw the issue being brought before the Society's Council. The ICAEW's legal advisor had given his opinion that the ICAEW Charter expressly did not extend to Scotland and therefore ICAEW members living and practising in Scotland could not style themselves 'Chartered Accountants' nor could they use the designation 'CA', but it was decided that further advice was needed (GD470/1/1: 291-2). The other two Scottish societies agreed on the importance of a united front and even consented to contributing towards the expense of any necessary action (GD 470/1/1: 298). The opinion of the Solicitor General was obtained and reference was again made to the action which the Society had taken when Lindsay had first made this an issue. It was decided that the individual societies would take whatever expedient steps they could to prevent the misuse of the title 'Chartered Accountant' and the designation 'CA' and that the Lord Advocate or the Home Secretary should be informed that the societies would like to contest the granting of any more royal charters to bodies of accountants. In the meantime the Society's legal representative was asked to write to the particular ICAEW members to ask them to desist and, if they did not desist, to raise a summons against them (GD470/1/1: 300). The legal advice was that English accountants had to make it clear that they

were not Scottish CAs. Still, three years after he had become a nuisance to the Society, Lindsay would not back down and a summons was prepared against him in March 1881 (GD470/1/1: 301). It is not clear from the records how this dispute was finally resolved.

In 1889, the ICAEW suggested an easy solution to the problem of cross-border practice: a reciprocal arrangement allowing mutual recognition of each other's qualifications. The proposal was given 'full consideration' but received no support north of the border (GD470/1/2: 71). The records contain no detail of the objections to the suggestion.

That it was not envisaged that members act exclusively as accountants is indicated by the Society's Council was generally relaxed attitude to members acting in other business capacities, provided that no mention was made in connection with that other business of their being CAs. This approach is illustrated in the twentieth century case of Miss Cadigan who proposed to start a house agency as a separate business with no indication of her membership of the Society. In October 1933, she asked for and received the Council's approval (GD470/1/5: 272). A similar issue arose in 1939 over whether a CA could also be a stockbroker. The Council stated that the only thing that precluded the dual occupation in Edinburgh was the rule of the stock exchange, not professional ethics (GD470/1/7: 613, 619).

Advertising – an 'objectionable practice'

There is evidence that the societies on both sides of the Scottish border wished to cooperate on some issues and one, in particular, received frequent attention. Advertising by members was anathema to those at the head of the profession who, in the early days strove to gain greater

recognition for their professional bodies and their members. It was important that they could demonstrate that those members had 'class' and were free of the 'taint of trade'. A practitioner gained new clients through social contacts and word of mouth and not by advertising (which was the means employed by traders to obtain new business).

In November 1878, the Secretary of the English Institute of Accountants, William Howgrave, wrote asking for views concerning an advertising circular sent out by a member of one of the English Societies. The Society's President and Council agreed that such a circular was 'hardly consistent with usual professional etiquette' (GD470/1/1: 270). Another example occurred in November 1891, when Howgrave again wrote bringing attention to a newspaper advertisement placed by a firm of accountants seeking to attract new business. The Council asked Howgrave to put an end to the 'objectionable practice' (GD470/1/2: 125). In Edinburgh, advertising by members of the Society met with a formal letter from the Society's Secretary and that was usually enough to end the matter (see for example, a report on advertisements placed in *The Times* newspaper in 1901 by John Stewart Morton (GD470/1/2: 336).

As the years went by, the desire of members to promote their services continued unabated. In the 1930s, perhaps as a result of straitened times, there were several instances when members of the Society, having agreed to desist from advertising, continued to do so and had to be reminded that it was considered to be unprofessional conduct especially when the advertising was in relation to types of business considered to be unrelated to accountancy, such as debt collection, as in the case of W. D. Jamie which was considered by the Council in May 1931 (GD470/1/5: 143-144; 147; 194-195).

Sometimes it required more persistence on the part of the Council. In January 1922, the ICAEW drew the Council's attention to an advertisement which had appeared in *The Times* on December 21, 1921. Enquiries revealed that it had been placed by a member of the Society, W. R. Gaff, who gave a not altogether satisfactory reply to the Council's letter of rebuke. A further letter was sent stating that to avoid further action Gaff should give assurances that no more advertisements would be placed. During the Council's discussion it was pointed out that, although advertising was regarded as unprofessional conduct, it was not expressly prohibited by the rules. A suggestion was made that the matter should be referred to a specialist committee on professional conduct (jointly sponsored by all three Scottish bodies) with a view to clarifying the rules (GD470/1/4: 21). The matter was resolved when, on February 1, 1922, it was reported to the Council that Gaff had given the required assurance that neither he nor his firm would advertise again (GD470/1/4: 24).

However, just under ten years later, Gaff's name again came before the Council when, as before, they were alerted by the ICAEW to advertising by a company of income tax agents of which Gaff was a director. In reply to the Council's letter to him, Gaff claimed that he did not know that he had breached professional etiquette (GD470/1/5: 132). Later Gaff stated that he did not know that the company would advertise as it had done and that he was ending his association with it; this assurance was enough for the Council to drop the matter (GD470/1/5: 137). The name of Gaff appears once more in the archives when a complaint was made against him for failing to pay a judgement debt. It is interesting to contrast the Council's reaction to Gaff's advertising with its passivity to his renegeing on a debt - this time the Council simply did nothing (GD470/1/6: 449).

More direct promotion such as touting was a continuing problem. In January 1914, it came to the Council's attention that George Lisle had written to Co-operative Societies applying for the post of auditor; in some cases, the incumbent auditor was a fellow CA. In addition, Lisle had taken into partnership his son who was described on the firm's letterhead as a CA even though he was only an apprentice (GD470/1/3: 201). The President asked to see Lisle (GD470/1/3: 207). On the matter of his use of CA to describe his firm, Lisle refused to change (GD470/1/3: 213). The Society's Law Agent urged the President and Council to take action against him (470/1/3: 229), which action in June 1915 appears to have provoked a discussion on the use of the designation 'CA' by firms which included non-members as partners (GD470/1/3: 232). Perhaps as a gesture of conciliation, Lisle offered to make over to the Society the copyright of a textbook he had written; the offer was declined (GD470/1/3: 233). In November 1915, Lisle was reminded of Rule 1 (GD470/1/3: 239) but he still asked for the name of his firm to be included in the Official List of member firms. He was informed of the Council's resolution passed in April 1905 which stated that the use of the term CA was restricted to those firms, where all the partners were CAs.

When complaints were made to the Society against members of the other Scottish bodies, the Council tended to deal with them by writing to the body concerned. An example is the case of a Glasgow accountant reported to be advertising which came before the Council in December 1924 (GD470/1/4: 197). At the same meeting, an identical incident was reported to have been resolved simply by means of an informal reminder about professional etiquette.

Geographical boundaries came into play in other respects. The Council itself felt powerless to intervene when the advertising was conducted by one of its members in a different country. In May 1901, the Society of Accountants and Auditors brought a circular issued by a Scottish member in South Africa to the Council's attention. No action was taken because of the different conditions prevailing in a foreign territory (GD470/1/2: 332). Similarly in October 1919, the case of a member advertising in Canadian newspapers provoked no action (GD470/1/3: 367).

Professional conduct

When matters of apparently doubtful conduct, which could have legal ramifications, confronted the Society's Council, there was, perhaps understandably, some reluctance to get involved. For example, in 1925 a case came before the courts of an accountant, Andrew Tait, in connection with the Magadi Soda Co. (GD470/1/4: 233). The Council was forced to consider whether the member concerned had made, for personal advantage, inappropriate use of confidential information. The Council took the view that while Tait had acted irregularly and injudiciously and had failed to take the scrupulous care to avoid the appearance of blame which members should take, no penalty was necessary (GD470/1/16: 107).

A similar lack of action can be seen in a case which came before the Council in July 1928. A trustee involved in the winding up of an estate made an accusation of negligence against a member of the Society. The Council did not even investigate the claim; it simply stated that there was nothing that it could do (GD470/1/5: 6).

After a number of years of informal policing of professional ethics or etiquette, in June 1922, the Joint Committee accepted the need to change the rules of the societies to deal with unprofessional conduct (GD470/1/4: 49). It was proposed that Rule 63 of the Society's rules be changed so that unprofessional or unbecoming conduct could be grounds for exclusion provided that two thirds of the whole Council concurred and that its decision was confirmed by two-thirds of the membership present at a general meeting. But as the matter was not considered sufficiently urgent to require immediate action, it was left to lie over until another occasion (GD470/1/4: 53; 89). In July 1924, the required change to what had now become Rule 66 was unanimously passed (GD470/1/16: 96).

In January 1935, the Council agreed to the suggestion that the Society's rules should be changed to make bankruptcy a reason for exclusion from membership (GD470/1/6: 359-360). A rule was drafted and approved by Council for ratification by the members (GD470/1/6: 374-375).

A question of etiquette and procedure was raised at a Council meeting in December 1939: what was a member of one society to do if he wanted to make a complaint against a member of another of the Scottish bodies? As had been done in the earlier case of a complaint about advertising, the Council's answer was that the complaint should first be made to the secretary of the body of which the complainant was a member and then it would be dealt with secretary-to-secretary (GD470/1/7: 662).

Training

It was fairly rare for the quality of training to give rise to complaints against a member but one case was found. In May 1924, the Council considered a complaint by a Mr Black about the training being given by a member of the Society, W. J. Robertson, to Black's son, an apprentice. At the same time they also considered the matter of a prospectus for Robertson's Chartered Accountants College. At the Council's insistence, Robertson agreed to omit the word 'Chartered' from the name. However, he could not escape being called before Council to explain his conduct regarding the training of the apprentices (GD/470/1/4: 161). Shortly after this discussion, it was reported that Black's son had mainly been employed in printing material for Robertson and that another apprentice had taken legal action against Robertson (GD470/1/4: 167). Robertson agreed to transfer the indentures of the young Black to another practitioner only so long as he could take on a substitute (GD470/1/4: 169). Once again, the Council appeared reluctant to interfere in a contractual matter between a member and another party – it concluded that if his other apprentices were to complain, they were to be told that the remedy lay in their own hands. Nevertheless, the Secretary was instructed to draw Council's attention to any attempt by Robertson to register another apprentice (GD470/1/4: 171).

A few years later in April 1927, another of Robertson's trainees complained about the quality of the training he had been given (GD470/1/4: 341) but now the Council felt compelled to take action. An independent accountant was appointed to assess Robertson's qualification as a practising accountant (GD470/1/5: 1). At the same time it appears that Robertson was involved in a legal action brought by another student (GD470/1/5: 10). In addition, it was reported that Robertson had taken on a partner who was not a CA (GD 470/1/5: 27) although the designation of the firm had not changed. Robertson wrote to admit his breach of rules and to say that he would change the designation of his firm (GD470/1/5: 33) but he seemed to be in no hurry to honour that undertaking since correspondence still appeared on the old headed paper

(GD470/1/5: 36; 39; 61). Robertson wrote to say that the notepaper was old stock which had been used in error and that he had instructed the nameplate to be removed. The ICAS Council agreed to take no action provided that the offence was not repeated (GD470/1/5: 67-68). Again there seemed to be no urgency on Robertson's part to comply with the Council's instruction because it was later reported that the nameplate had not been removed (GD470/1/5: 70; 75) until finally in March 1930 Robertson did comply (GD470/1/5: 86).

While the matter of the name of Robertson's firm was taking its time to be resolved, another complaint about Robertson's conduct was received in addition to reports of possible offences under the Bankruptcy Act (GD470/1/5: 61). These events did not deter Robertson from applying in March 1931 to be allowed to take on apprentices again; the Council declined on the grounds that Robertson had allowed two and a half years to go by, he had been sequestered in the interim and he had been less than cooperative in his previous dealings with the Council (GD470/1/5: 130-131; 137; 187). Despite the strength of the case against him, Robertson appealed and asked to be told the reasons for the Council's decision. The Council remained steadfast, stating that it was not compelled to reveal its reasons (GD470/1/5: 197; 202). Transparency in Council matters was still a long way off.

Conclusion

As with many historical endeavours it is difficult to piece together a full picture from fragmentary remains of the debates and discussions which at various times must have aroused fierce passions in the upper circles of the accounting profession in its early years and indeed throughout its existence. This paper is an attempt to reveal some of the ethical issues over the

conduct of members which challenged the leaders of one the Scottish bodies of chartered accountants during the first century of its existence. The use of case histories of individual members adds a dimension to the history which broader, sociological analyses might omit. The emphasis on the establishment of an ethical code as a necessary prerequisite for professional recognition may have been devalued by more recent approaches to the analysis of the professionalisation process, but it is clear from the archives that setting at an appropriate level standards to control the conduct of those let into the professional fold was – and remains – a considerable challenge for the profession’s leaders.

A number of features emerge from this review. First that several of the issues which plagued the leaders of the UK profession 150 years ago have not gone away. The problems of etiquette between members can still produce claims of under-cutting of fees or ‘lowballing’. On the other hand, aspects of ethical conduct which previously appeared to be very serious, such as advertising, seem to have become accepted parts of daily business life for today’s accountant. What this shows is that while some components of the model of the ethical accountant remain immutable and the problems of clarifying appropriate behaviour insoluble, other issues disappear as society evolves and notions of ethics change.

But perhaps the most striking thing to come from this analysis of the archives of one of the Scottish bodies is the change in the means of regulating the members. For the first century of its existence the profession in Scotland was ruled by the principles of its Charter. Decisions on matters of ethics and etiquette were made in an ad hoc manner. That approach started to change with the 1960s when competitor bodies such as the ICAEW began to issue more authoritative guidance for its own members. The process was hastened further by crises of

public confidence in the wake of high-profile scandals which required some institutional reaction. The publication of set standards of conduct was one way in which the accounting bodies could be seen visibly to be doing something to put their houses in order. More recently the involvement of the international bodies such as IFAC has had a significant impact on the nature and content of the professional rules governing accountants in the UK – the commercial pressures of the global marketplace have forced an assimilation of cross-boundary practices which the founders of the Scottish profession initially sought to resist.

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