

## The Influence Of Professional Ethics, Professionalism, Independence, And Experience On The Materiality Level Of Public Sector Financial Report Auditors (Auditor at KAP Djoko, Sidik, and Indra)

Arrum Safitri<sup>1</sup>, Atwal Arifin<sup>2</sup>

Universitas Muhammadiyah Surakarta, Indonesia

E-mail: b200190613@student.ums.ac.id

### Abstract

*This research aims to examine the impact of professional ethics, professionalism, independence, and experience on the materiality of financial statements for This research aims to examine the impact of professional ethics, professionalism, independence, and experience on the materiality of financial statements for the public sector. The purpose of this study is to increase public confidence, which is achieved in part through evaluating financial reports by government auditors. In this research, information was collected by sending questionnaires to the accounting companies Djoko, Sidik, and Indra. sampling method using purposeful sampling Multiple regression is the method of data analysis used. data processing software, including Microsoft Excel and SPSS version 25.0. According to the findings of this research, professionalism and experience impact the amount of materialism. Professional ethics and independence have little effect on the objective world.*

**Keywords** professional ethics, professionalism, independence, experience, auditor, materiality level.

### INTRODUCTION

Based on paragraph 12 of SAP No. 1, Materiality is a requirement if the omission or misrepresentation of information affects the choices or judgments made by users based on financial reports. Materiality is determined by the kind or quantity of the item or mistake in light of the particular conditions under which the shortfall or error arose. Setting the materiality threshold facilitates the auditor's planning of adequate audit evidence. If the auditor establishes a low materiality threshold, then more evidence must be gathered throughout the auditing process.

A number of elements impact the decision about the materiality level. One of them is the code of ethics, which controls the members' attitude, conduct, and manners. The conduct of a professional auditor must adhere to the standards of the code of ethics, since this impacts the quality of their services.

Professionalism is of the utmost importance in auditing, since auditors are accountable for influencing decisions with their views. Service recipients may rely on the efforts of accountants who have a high regard for professionalism.

(Muslim et al., 2020) If he receives additional money to produce unqualified income, the auditor will become entirely independent. The auditor must maintain mental independence in all engagement-related topics, according to the second general auditing norm.

To be able to make conclusions about audited reports, an auditor must also have adequate expertise. A different auditor will also have a different perspective and response to the information gathered during an examination, as well as a distinct opinion of the inspected item. The greater the auditor's expertise, the greater the likelihood of discovering diverse audit findings that might impact the financial statements' materiality.



Based on the preceding context, the problem formulation is as follows:

- 1) Does professional ethics influence the level of materiality in public sector financial reports audited by auditors?
- 2) Does the level of materiality of public sector financial report auditors differ based on their professionalism?
- 3) Does the independence of the public sector auditor affect the materiality level of the financial statements?
- 4) Does the auditor's experience in the public sector affect the materiality level of the auditor's financial statements?

## LITERATURE REVIEW

When conducting an audit, an auditor must act ethically so as not to compromise their credibility or the credibility of their clients. The audit report is used by stakeholders in making decisions, so it's important that it's prepared with the utmost professionalism. Furthermore, an auditor needs to be impartial and independent to perform audits with complete freedom. Experienced auditors make better choices because of it.

In this context, the term "audit delay" refers to the time it takes for the external auditor to issue their audit report after the books have been closed. Auditors' commitment to meeting deadlines for completing audit assignments is indicative of their competence and professionalism and is to the benefit of whoever relies on the financial statements.

The accounting profession in Indonesia is governed by the Indonesian Accountants Code Ethics. Members of the IAI are required to abide by this code of ethics, but other accountants can and should use it as well, whether or not they are members of the IAI (Nasution, 2015).

### Level of Materiality

A notion of materiality is also indicated. Paragraph 19 of BPK Regulation No. 1 of 2007 states that auditors must plan audits in such a way as to provide reasonable certainty that any noncompliance with statutory restrictions that directly and materially affect the presentation of financial statements will be detected.

Materiality, as defined by Idawati (2016), is the amount of value that, when missing from or inaccurately shown in accounting information, may affect the minds of those who rely on the information to make decisions. A materiality determination must also be made to assess the extent to which evidence must be obtained or if existing evidence is sufficient at the time of auditing. If adequate audit evidence is available at the time of the audit, the auditor may provide an opinion on the audited financial statements.

According to the Financial Accounting Standards Board (FASB), an item is "material" if its absence from or misrepresentation in the financial statements would cause a reasonable person to reach a different conclusion than the one presented in the financial statements.

### Earlier Research

In order to ascertain the significance of auditors of public sector financial reports, much research have been undertaken on the following factors:

Amalia Ilmiani and Arum Ardianingsih (2019) Professionalism has a substantial beneficial influence on materiality level considerations. Professional ethics has a substantial effect on materiality level considerations, resulting in a more optimistic research path.

Ni Putu Shinta Dewi, Ni Kadek Sukariani Sintha, and Ni Wayan Rustiarini (2021) This investigation was conducted at public accounting companies (KAP) in Bali that are members of the Indonesian Institute of Certified Public Accountants (IAPI) and listed in the 2020 Directory of Public Accounting Firms (KAP). Determine if professionalism has a good influence on materialistic concerns. Independence has no bearing on material-level issues. Considerations of materiality level are favorably influenced by the auditor's experience. Material-level factors are unaffected by personality type.

Su'un, Muhammad (2021) This research aims to evaluate and investigate the influence of auditors' professionalism and professional ethics on the degree of materiality considerations in the auditing of financial statements. The outcomes of this research indicate that the professionalism of auditors has a positive and statistically significant influence on the degree of materiality in the auditing of financial statements. More weight is given to the materiality level the more professional the auditor is. Auditors' professional ethics have a substantial impact on the amount of materiality in the auditing process.

## Differences between Current and Prior Research

### 1. Sample

Samples from previous investigations vary from those utilized in the present study. The sample for the present research was collected from one of the public accounting companies Djoko, Sidik, and Indra. The desired sample for the present research is an auditor willing to complete a questionnaire; the KAP auditor has worked with public service organizations (BLU) such as hospitals, universities, and other government agencies; and the auditor has at least one year of audit experience.

### 2. Time

This survey was conducted in 2022 so that the most recent questionnaire data from earlier research could be used.

## METHOD

### Objects of Study

This thesis' independent variables are concerned with professional ethics, professionalism, independence, and experience. The dependent variable is the degree of materiality. Sample selection is determined by the use of purposeful sampling, which is a sampling strategy based on deliberation and a kind of random sample selection in which information is acquired with particular considerations. The following are these elements:

- a. Auditors are eager to fill out the questionnaire.
- b. The KAP auditor has experience working with public service organizations (BLU) such as hospitals, universities, and government institutions.
- c. Auditors have at least one year of auditing experience.

**Table 1:** Research Variables Operational Variability

Variable	Dimensions	Indicator
Professional Ethics (X <sub>1</sub> )	Measurement of Professional Ethics	1. Integrity principle
		2. Precautionary principle
		3. Confidentiality Principle



		4. Principle of Professionalism
Professionalism (X <sub>2</sub> )	Devotion to the profession, Relations with colleagues in the profession, Social obligations, Independence, Confidence in professional regulations	1. Knowledge and skills possessed
		2. Professional ties
		3. Formal organizations and groups of informal colleagues as the main source of ideas for work
		4. Professional role
		5. Make your own decisions in determining the level of materiality without pressure from other parties
Independence (X <sub>3</sub> )	Personal Disruption, External Disturbance, Organizational Disturbance	1. Principle of Integrity
		2. Objectivity Principle
		3. Precautionary Principle
		4. Confidentiality principle
		5. The principle of professionalism
Experience (X <sub>4</sub> )	Experience in work	1. Years of service
		2. Capabilities, skills and assignments
		3. job mastery
		4. The number of types of BLU examined
Materiality Level (Y)	Materiality is a vital concept in auditing, Materiality is the subjective opinion of each auditor, Materiality is the main consideration for determining the fairness of financial statements	1. Each financial report can have more than one level of materiality
		2. The minimum possible misstatement in the account balance
		3. Considering the possibility of misstatement in certain accounts.

## RESULTS AND DISCUSSION

### Validity Check

The validity test is used to assess the validity of a questionnaire. The questions on a questionnaire are legitimate if they disclose anything that can be assessed by the questionnaire. After verifying the findings, it is determined that all questions are legitimate.

### Reliability Check

According to the findings of the reliability test, Cronbach's alpha for all claims of professional ethics, professionalism, independence, experience, and materiality level variables is more than 0.60. The values of each variable are 0.821, 0.840, 0.674, 0.816, and 0.775. Due to this value, it is feasible to infer that the questionnaire's variables for professional ethics, professionalism, independence, experience, and materiality level are trustworthy.

### Normality Examination

The value of the Kolmogorov-Smirnov test reflects the findings of the normality test. exemplifies the worth of Asymp. A two-tailed sig value of 0.18 is larger than 0.05 (level of signification). This indicates that the residual data is normally distributed. Therefore, the processed data is normal, and the normality test was performed successfully.

### Multicollinearity Analysis

The findings of the multicollinearity test indicate that the value of each variable's tolerance is greater than 0.10, specifically the values of the variables professional ethics (0.363), professionalism (0.430), independence (0.826), and experience (0.661). In the meantime, the value of each variable in the VIF value column is  $< 10.00$ . Professional ethics has a value of 2,756; professionalism has a value of 2,323; independence has a value of 1,210; and experience has a value of 1,549. The above results imply that there is no test for multicollinearity.

### Heteroscedasticity Test

The findings of the heteroscedasticity test reveal the importance of each variable, which is 0.79 for professional ethics, 0.77 for professionalism, 0.41 for independence, and 0.51 for experience. The threshold of significance is larger than 0.05. Therefore, it is possible to infer that heteroscedasticity does not exist.

### Multiple Linear Equation

$$TM = -2.848 - 0.042EP1 + 0.186P2 + 0.1043 + 0.586PA4 + \varepsilon$$

The following may be deduced from the multiple linear regression equation shown previously:

- 1) If professional ethics (X1), professionalism (X2), independence (X3), and experience (X4) are all equal to zero, then the materiality level (Y) is -2.848.
- 2) The regression coefficient of the professional ethics variable (X1) is -0.042, indicating that, provided the other independent variables have a constant value, the degree of materiality (Y) will rise as the auditor's professional ethics increase. Inversely, the



materiality level will drop when the auditor's professional ethics decrease, provided the other independent variables have stable values.

- 3) The regression coefficient for the professionalism variable (X2) is 0.186, indicating that if the other independent variables are held constant, the degree of materiality (Y) will rise as the auditor's professionalism increases. Inversely, the amount of materiality will decrease when the auditor's professionalism decreases, given that the other independent variables have constant values.
- 4) The regression coefficient for the independence variable (X3) is 0.104, indicating that, assuming other independent variables have stable values, the degree of materiality (Y) will rise as the auditor's independence increases. Inversely, the materiality level will drop when the auditor's independence decreases, provided all other independent factors remain constant.
- 5) The regression coefficient of the experience variable (X4) is 0.586, indicating that the degree of materiality (Y) will grow as the auditor's experience increases, provided the other independent variables have a constant value. In contrast, the materiality level will drop when the auditor's experience decreases, given that the other independent factors remain constant.

#### **F test**

Based on the calculated F count of 24,858 and the F table with a significance level of 5%, there are four independent variables, one dependent variable, and fifty degrees of freedom. Table F has received 2,58 responses. The fact that F count is greater than F table demonstrates that professional ethics, professionalism, independence, and experience all impact the decision about the degree of materiality.

#### **T test**

On the basis of the calculation results, it is possible to determine the effect of each independent variable on the dependent variable, namely the relationship between professional ethics and materiality determination, professionalism and materiality determination, independence and materiality determination, and experience and materiality determination. The regression coefficient was examined in this research by evaluating the following:

- 1) The variable "professional ethics" has a significant value of 0.691%, which is larger than 0.05 or 5%. Thus, we may infer that H1 is rejected, which indicates that professional ethics have no influence on the amount of materiality.
- 2) The significance level of the professionalism variable is 0.012, which is less than 0.05 or 5%. Thus, it is possible to infer that H2 is accepted, which indicates that professionalism influences the degree of materiality.
- 3) The independent variable has a significant value of 0.219, which exceeds 0.05 or 5%. Thus, we may infer that H3 is rejected, which indicates that independence has no influence on the amount of materiality.
- 4) The significant value of the experience variable is 0.000, which is less than 0.05 or 5%. Thus, we may infer that H4 is supported, which suggests that experience affects the amount of materialism.

### **Coefficient of Determination Test**

The adjusted R square score of 0.661, or 66.1%, reveals the findings of the determination coefficient test. This demonstrates that the independent factors of professional ethics, professionalism, independence, and experience may explain 66.1% of the variance in the dependent variable, which is the materiality level, while the remaining 33.9% is explained by variables not included in this study.

### **The Effect of Professional Ethics on the Degree of Importance**

Professional ethics is an agreed-upon code of conduct within a given workplace. While the idea of materiality itself refers to the scale of the misstatement that might influence the choices of information users and the judgments of someone who puts faith in the misstatement, the quantity of the misstatement itself is not material.

Even when an auditor conforms to professional ethics, this has no bearing on evaluating the degree of materiality since other considerations are more significant in assessing this level. Due to the auditor's poor knowledge of the SPAP's professional ethics provisions. In order to identify the materiality level of the financial accounts, the auditor must have a high degree of expertise and sound professional judgment based on established norms and standards, as opposed to relying purely on reasoning.

According to prior research performed by Auditya Pratama and Rudi Ginting (2022), professional ethics has no substantial effect on the materiality level of financial reports, as shown by the findings of this study.

### **Professionalism's Impact on the Level of Materiality**

Professionalism is the knowledge or skill required to carry out one's tasks and responsibilities correctly, as well as the dedication of members of a profession to continually develop their skills.

Professionalism has a beneficial effect on establishing materiality levels because an auditor with a strong commitment to his profession and job is acutely aware that auditing is a public-trust profession.

The findings of this study are consistent with prior work by Muhammad Su'un (2021). This research discovered that auditor professionalism has a favorable and statistically significant impact on the degree of materiality in the auditing of financial statements.

### **Effect of Independence on Materiality Level**

Independence may be regarded as a mental attitude that is free from influence, not governed by other parties, and not reliant on other parties. An auditor who adheres to independence will make accurate materiality determinations since his or her judgment will not be readily affected in establishing the materiality level of a business's financial statements, even if there is an unresolved conflict of interest involving that company.

An independent auditor will maintain concentration while gathering and reviewing evidence such that audit results are consistent with field circumstances and support the auditor's conclusion. However, there are more elements that have a greater impact on the amount of materiality. There is no correlation between the auditor's attitude of independence and his or her ability to assess the degree of materialism.



According to prior research by Ni Kadek Sukariani Sintha, Ni Wayan Rustiarini, and Ni Putu Shinta Dewi (2022), independence has no substantial impact on the degree of materiality in financial statements.

### **Experience's Impact on the Level of Materiality**

In addition to knowledge, experience is a crucial aspect of auditing jobs. The manner in which expert and less-experienced auditors study and react to information gathered during an examination, as well as the conclusions they draw about the item being inspected, will vary.

Auditors with varying levels of expertise will, of course, evaluate and react to material differently while auditing financial accounts, and they will also generate divergent judgments on an item under examination. The greater an auditor's expertise, the more appropriate it is to consider the degree of materiality in financial statements.

This study's findings are consistent with those of Elisa Nurad, R. Ery Wibowo, Ida Kristiana, Andwiani Sinarasri, and Alwiyah (2021), who found that the auditor experience had a favorable and substantial impact on materiality level considerations at KAP in Semarang City.

### **CONCLUSION**

The purpose of this research is to investigate the impact of professional ethics, professionalism, independence, and experience on the materiality level of public sector financial statement auditors (KAP Djoko, Sidik, and Indra). Based on the outcomes of the tests and conversations conducted for this research, the following conclusion may be drawn:

- 1) H1 is rejected, or its influence on the degree of materiality is insignificant. This demonstrates that the professional ethics of the auditor do not inevitably improve the auditor's materiality level while performing an audit.
- 2) H2 is accepted or has a substantial influence on the degree of materiality. This demonstrates that the greater an auditor's professionalism, the greater the assessment of the materiality level in the analysis of financial statements.
- 3) H3 is rejected, or its influence on the degree of materiality is insignificant. This may demonstrate that there is no correlation between the auditor's independence and their ability to evaluate the degree of materiality.
- 4) H4 is accepted or has a substantial influence on the degree of materiality. This demonstrates that the auditor's assessment of the materiality level in the financial statements will be more appropriate as his or her experience grows.

### **REFERENCES**

- Ardianingsih, A., & Ilmiani, A. (2019). Analisis Profesionalisme Dan Etika Profesi Dalam Penentuan Pertimbangan Tingkat Materialitas. *Jurnal Ekonomi, Bisnis, Dan Akuntansi*, 21(4). <https://doi.org/10.32424/Jeba.V21i4.1540>
- Komite Standar Akuntansi Pemerintahan. (2021). *Standar Akuntansi Pemerintahan*. From <https://www.ksap.org/sap/wp-content/uploads/2021/07/Buku-Sap-2021.pdf>
- Kuncoro, A., & Ermawati, N. (2017). Pengaruh Independensi, Pengalaman, Pengetahuandanetikaprofesi Terhadap Pertimbangan Materialitas. *Monex Jurnal*



- Accounting Research, 6, 286–291.  
<https://doi.org/http://dx.doi.org/10.30591/monex.v6i2.600.g568>
- Murhaban, Nurhasanah, & Ratna. (2017). Pengaruh Pengalaman Auditor Dan Pengabdian Pada Profesi Terhadap Tingkat Materialitas Dalam Audit Laporan Keuangan . Jurnal Visioner & Strategis, 6(2), 89–97.
- Nur'ain, H., Malik, S. A., Salsabila, Z. I., & Khoiriawati, N. (2022). Pengaruh Etika Profesi Dan Independensi Terhadap Tingkat Materialitas (Studi Literatur). Research In Accounting Journal, 2(3), 358–364.  
<https://doi.org/http://journal.yrpioku.com/index.php/raj>
- Nurad, E., Wibowo, R. E., Kristiana, I., Sinarasri, A., & Alwiyah. (2021). Pengaruh Pengalaman Auditor, Independensi Dan Komitmen Organisasi Terhadap Keputusan Untuk Mempertimbangkan Tingkat Materialitas Dalam Audit Laporan Keuangan (Studi Empiris Pada Kantor Akuntan Publik Di Kota Semarang). Proding Seminar Nasional Unimus, 4, 487–502.  
<https://doi.org/https://prosiding.unimus.ac.id/index.php/semnas/article/view/817>
- Paramita, I., & Damayanti, R. T. (2017). Pengaruh Pengalaman, Profesionalisme, Dan Etika Profesi Auditor Terhadap Penentuan Tingkat Materialitas. Widyakala Journal, 4(2).  
<https://doi.org/10.36262/widyakala.v4i2.59>
- Pojk-Laporan-Tahunan-Emiten-Perusahaan-Publik. Peraturan Ojk. (N.D.). Retrieved August 5, 2016, From <https://www.ojk.go.id/Id/Kanal/Pasar-Modal/Regulasi/Peraturan-Ojk/Pages/Pojk-Laporan-Tahunan-Emiten-Perusahaan-Publik.aspx>
- Pratama, A., & Ginting, R. (2022). Pengaruh Profesionalisme Auditor, Time Pressure, Etika Profesi Dan Gender Terhadap Tingkat Materialitas. Jurnal Proaksi, 9(2), 204–218.  
<https://doi.org/10.32534/jpk.v9i2.2716>
- Setiadi, & Sibarani, B. B. (2019). Materialitas Pada Proses Audit. Jurnal Bisnis Dan Akuntansi Unsuraya, 4(2), 87–93.  
<https://doi.org/ttps://journal.universitassuryadarma.ac.id>
- Sintha, N. K. S., Rustiarini, N. W., & Dewi, N. P. S. (2021). Pengaruh Kompetensi, Profesionalisme, Independensi, Pengalaman Auditor, Dan Tipe Kepribadian Terhadap Pertimbangan Tingkat Materialitas (Studi Pada Kantor Akuntan Publik Di Bali). Jurnal Karma (Karya Riset Mahasiswa Akuntansi), 1, 1804–1814. <https://doi.org/https://e-journal.unmas.ac.id/index.php/karma/article/view/3815>
- Standar Pemeriksaan Keuangan Negara - Bpk. (N.D.). Retrieved January 6, 2017, From [https://www.bpk.go.id/assets/files/storage/2017/01/file\\_storage\\_1484641204.pdf](https://www.bpk.go.id/assets/files/storage/2017/01/file_storage_1484641204.pdf)
- Stephanus, A. D. S. (2021, December 4). Materialitas – Daniel Sugama Stephanus – Accounting, Auditing, Finance, And Others... Daniel Sugama Stephanus - Accounting, Auditing, Finance, And Others... Retrieved December 15, 2022, From <https://danielstephanus.wordpress.com/tag/materialitas/>
- Sugiyono (2019). Statistika Untuk Penelitian. Bandung : Cv Alfabeta.
- Su'un, M. (2021). Pengaruh Profesionalisme Auditor Dan Etika Profesi Terhadap Tingkat Materialitas Dalam Proses Pengauditan Laporan Keuangan. Yume : Journal Of



Management, 4(2), 325–336. <https://doi.org/10.2568/Yum.V4i2.1021>

Web analysis for Kapdsi - [kapdsi.com](http://kapdsi.com). Kapdsi. (n.d.). Retrieved December 15, 2022, from <https://kapdsi.com.cutestat.com/>

Widjaya, I. N., & Lumbantoruan, R. (2016). Pengaruh Profesionalisme Dan Pengalaman Auditor Untuk Mempertimbangkan Tingkat Materialitas Dalam Pemeriksaan Laporan Keuangan (Studi Kasus Pada Kantor Akuntan Publik Di Wilayah Jakarta Pusat). *Buletin Ekonomi*, 20(1). <https://doi.org/10.33541/Buletin%20ekonomi.V20i1.325>