

Compliance Analysis of the Implementation of the Public Accountant Professional Code of Ethics by Public Accountants in Indonesia

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Abstract

This study aims to analyze the application of the code of ethics for the public accounting profession in Indonesia. The research method used in this research is to use qualitative methods, in which researchers collect data from various references to scientific works, articles, journals and other references. While the data collection technique that the authors use is to use the literature study technique. The object of this research is a public accountant in the Indonesian Public Accounting Firm. The results of this study conclude that the application of a code of ethics for the public accounting profession is very important to guarantee public trust. In addition, by applying a code of ethics, an accountant is seen as more professional, reliable and trustworthy. An accountant must be independent because a lack of independence can violate the basic principles of ethics regarding the objectivity of an auditor at work.

Keywords Code of ethics, Public Accountant, Professional ethics

INTRODUCTION

The public Accountants are accountants who are qualified and authorized to practice public accounting in Indonesia. According to the Financial Services Authority, a certified public accountant with a national certified public accountant license can provide accounting services to companies for a certain fee (certified public accountant). Auditors have duties such as tax audits, analysis of annual financial statements, and review of balance sheets. All accountants must be members of the Indonesian Institute of Certified Public Accountants (IAPI), a government-recognized professional association.

The auditor is required to conduct an audit to determine whether the organization's financial statements have been properly prepared following the applicable Financial Accounting Standards (SAK) and to express an opinion on the fair presentation of the financial statements. Due to the possibility of deviations from the auditor's behavior during the audit process, the auditor's report cannot be answered unequivocally.

In Indonesia itself there are many cases of violations in presenting financial statements. Cases of ethical problems that may be faced by the auditor include, among others, in carrying out their duties the auditor compromising his integrity by committing falsification, embezzlement or bribery, and distorting objectivity by issuing misleading reports. All of these things are serious violations of the fundamental principles and the code of ethics. Professional code of ethics in auditing, in which the professional code of ethics or the auditing profession code of ethics provides advice for professional auditors to protect themselves from temptation when faced with dilemmas or difficulties with judgment and decision making. Several cases have occurred in Indonesia, resulting in a decrease in public trust in the auditor profession (Darmawan & Widanaputra, 2022)



The code of ethics for the auditing profession provides information about how auditors can protect themselves from temptation when faced with dilemmas or difficulties in assessing or making decisions. In Indonesia, several incidents have caused a decline in public trust in the accounting profession.

One of the well-known ethical violation cases is the PricewaterhouseCooper (PwC) violation case which issued an unqualified audit opinion on the consolidated financial statements of PT Asuransi Jiwasraya (Persero) and its subsidiaries on December 31, 2016. The financial statements were audited and signed by PwC's auditors on December 15 March 2017, showing its net profit in 2016 of IDR 1.7 trillion. Meanwhile, according to the audited financial report, Jiwasraya's net profit in 2015 was IDR 1.6 trillion. In this case, the government suffered a loss of 13.7 billion.

The second case, PT Garuda Indonesia's lawsuit stems from the auditor's negligence in auditing the financial statements which led to sanctions from the Center for Financial Profession Development (PPPK). The financial statements were audited by AP Kasner Sirumapea audited by Tanubrata, Sutanto, Fahmi, Bambang, and Accountant Firm Partners (KAP). Previously, Garuda Indonesia's financial reporting became controversial after two Garuda Indonesia commissioners, Chairul Tanjung and Dony Oskaria, refused to sign an agreement on the results of their 2018 financial statements. The reason is, the financial reports show that PT. Garuda Indonesia was able to achieve a net profit equivalent to US\$809.85 thousand or Rp11.33 billion. This causes PT. Garuda Indonesia suffered a loss of US\$216.5 million. (www.cnnindonesia.com).

To overcome this unethical behavior, it is very important to apply professional ethics. This professional ethics is used as a guide for accountants as basic principles such as objectivity, integrity, competence, and professional prudence (Puspitasari. E., Askandar. N., Mawardi. M., 2019). Auditors must comply with the code of ethics because the main reason for the profession of an auditor is to provide correct and objective information without bias. By looking at the violation cases that even occurred in the Big Four KAP, it can be emphasized here once again that the ethical concept of the accounting profession plays a major role in avoiding unethical behavior and also protects oneself from all lawsuits. The reason the researcher is interested in conducting this research is that there is very rarely research that examines the extent to which the provisions of the code of ethics are applied in Indonesia and the reasons why the code of ethics is so important to be implemented in Indonesia.

IMPLEMENTATION METHOD

The research method used in this study is a qualitative research method, where researchers will collect research data from previous researchers to explain and develop theories related to the discussion of previous researchers. Researchers collect research data by collecting several sources from journals, or articles that have been researched by previous researchers in text form and which the author will then include in this study. The subject of this research is a public accounting firm in Indonesia. While the object is a Public Accountant whose job is to audit the client's financial statements to ensure the fairness of the financial

statements. The data collection technique that the authors use is to use literature study techniques where the authors trace the data through the scientific work of previous researchers, for example papers, journals, articles, and others.

RESULTS AND DISCUSSION

In this study, the object of research is the Compliance Analysis of the Application of the Public Accountant Professional Code of Ethics by Public Accountants in Indonesia. This topic was taken because of the importance of the application of the Public Accountant Professional Code of Ethics to Public Accountants, in which this code of ethics controls the Public Accountants in carrying out their duties. Based on the topics and research objects that have been taken, the Writing Team will analyze the ethics and code of ethics used in the formation of professional accountants in Indonesia, bearing in mind the many incidents reported in Indonesia regarding public accountants issuing opinions that are not following the circumstances, which eventually lead to a crisis of confidence. among the people. Knowledge of the code of ethics itself can help accountants be more aware of their ethics so that they can increase public trust in the performance of certain professional codes of ethics, which are influenced by commissioner policies and personal characteristics. The purpose of this research is to provide information about the professional code of ethics which is very important for public accountants. With an understanding of the code of ethics, accountants can continue to behave ethically guided by the code of ethics so that it will restore public confidence in public accountants in carrying out their profession. (Muria and Alim, 2017)

A public accountant is a professional who must have the ability to provide opinions or audit reports that have been prepared based on professional competence. Where they are responsible for building public trust and expressing any opinion, they may have on the audits they carry out based on their professionalism. So that in practice an auditor is obliged to obey and adhere to this code of ethics. The level of implementation of the accountant's code of ethics has been going quite well. This can be seen from several studies which show that this code of ethics has been implemented both at the business level and at the government level. Djajun Juhara (2017), states that the application of the code of ethics of the accounting profession to public accounting firm in the city of Bandung as a whole from various aspects is in the fairly good category of research (Ismiyati, Anna Anica, 2019) also states that the application of the code of ethics of accountants in the area Banten province is also quite good.

The two studies above reflect that an understanding of the code of ethics can make accountants continue to behave ethically. It will restore public confidence in public accountants in carrying out their profession. Furthermore, based on previous research conducted by (Mauludy, Hikmah, and Putri, 2017) regarding cases of violations at KAP Winata in terms of independence that occurred because public accountants in carrying out their professional code of ethics behaved unprofessionally. Because it has violated the basic principles of ethics related to objectivity in work. The actions taken by the auditor were due to the interests of anyone. Public trust in independence is very important for the development of the public accounting profession. Because public trust will decrease if there is evidence



that the independence of the auditor's attitude is reduced and will affect this independent attitude. Understanding the code of ethics is a form of guidance so that an accountant does not commit a violation.

The following describes the IAPI code of ethics which has been determined to be divided into ethical principles that must be adhered to by every professional accountant in carrying out their duties, including integrity, objectivity, competence and professional prudence, confidentiality, and professional behavior. (Mauludy, Hikmah, and Putri, 2017) The code of ethics makes a guideline for public accountants to behave ethically in carrying out their profession. Integrity is the act of being consistent and honest in all professional and business relationships. To achieve integrity, the auditor will collect the material facts that have been collected without denying anything, activity or any relationship that may arise and refrain from receiving any information that may result in professional error. In general, objectivity is to avoid interfering with professional activities or business operations because of various biases, constraints, and concerns that other organizations may not have. Due to the close relationship between the client and public accounting firm, this condition can affect public accounting firm performance and can result in a more positive audit quality. When an auditor performs his duties, it must be carried out according to a logical methodology to capture each inspection as it is performed.

During the process, there may be influences and pressures from various bodies or mental attitudes that are necessary to get the job done. Competent means guaranteeing that the client or working organization will be given professional training, based on the highest professional standards and technological standards in the industry, along with the provisions of the applicable laws and regulations & act seriously and in accordance with technical standards. It is essential to have the competence and prudence to ensure that the audit is carried out without causing the distortions that otherwise would have occurred. A key element of this principle of confidentiality is to always be aware of the implications of using the information provided, and to apply the principles of professional conduct from start to finish while taking care to provide the necessary value to the process (Setyo, Oktavia, Wulandari, & Maha., 2022). Understanding and implementing the code of ethics for public accountants can make the behavior of a public accountant ethical and will have a positive impact on auditor quality and audit results. With an understanding of a code of ethics, an accountant can control himself to continue to behave ethically and professionally in working and serving the community.

CONCLUSION

There have been many cases of violations of the code of ethics of public accountants in Indonesia, for example the case of an auditor compromising his integrity by committing falsification, embezzlement or bribery, and distorting objectives by issuing proposed reports. There are several cases that occurred in Indonesia resulting in a decline in public confidence in the auditor profession. To overcome this unethical behavior, it is very important to apply professional ethics. The accountant's code of ethics plays a major role in avoiding unethical behavior and also protecting oneself from all lawsuits.

This study uses public accountants in Indonesian public accounting firms as research objects because of the many incidents of violations of the code of ethics of public accountants in Indonesia which have caused a crisis of trust among the public. Based on research from various data collected, it can be concluded that an understanding of the code of ethics can make accountants continue to behave ethically so that it will restore public trust in public accountants in carrying out their profession. Accountants must also be independent because this independence can also increase public trust. Understanding the code of ethics is a form of guidance so that a public accountant does not commit a violation. Applying a code of ethics can also make the behavior of a public accountant ethical and will have a positive impact on auditor quality and audit results.

Based on the results of the analysis that has been carried out, the authors conclude that the code of ethics has a significant role in increasing public trust regarding the ability and level of professionalism of a public accountant. A professional public accountant must be able to carry out his duties by referring to the existing professional code of ethics. According to IAPI, there are ethical principles that must be obeyed by every public accountant, namely integrity, objectivity, competence and professional prudence, confidentiality, and professional behavior. The main standard for a professional auditor is independence. Lack of independent attitude can violate the basic principles of ethics related to the objectivity of an auditor in work.

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