



The role of Indonesian public accountants in corruption prevention linked to professional ethics

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Abstract

Public accountants have an essential role in improving the quality and credibility of financial information by providing opinions on a company's financial reports to provide public trust. In practice, public accountants can also provide opportunities to commit corruption through the financial reports they present. However, it is possible to prevent corruption by applying the ethical principles of the accounting profession in carrying out audits. This research found that public accountants at least participated in auditing a company's historical financial statements based on Indonesian Accounting Standards, assessing the fairness of the company's audited financial statements and providing opinions on material financial reports under the Statement of Financial Accounting Standards. In preventing corruption committed by management, public accountants play a role in detecting and having the courage to report fraud in audited company financial reports and declaring themselves professional and independent by adhering to the public accountant's professional code of ethics.

Abstrak

Akuntan publik memiliki peran penting dalam peningkatan kualitas dan kredibilitas informasi keuangan dalam memberikan opininya terhadap laporan keuangan suatu perusahaan guna memberikan kepercayaan kepada masyarakat. Dalam prakteknya, akuntan publik pun dapat memberikan peluang untuk melakukan korupsi melalui laporan keuangan yang disajikan, namun sangat dimungkinkan untuk mencegah terjadinya korupsi dengan melaksanakan prinsip etika profesi akuntan dalam melaksanakan audit. Penelitian ini menemukan bahwa akuntan publik setidaknya berperan dalam mengaudit laporan keuangan historis suatu perusahaan berdasarkan Standar Akuntansi Indonesia dan menilai kewajaran laporan keuangan perusahaan hasil audit serta memberikan opini terhadap penyajian laporan keuangan yang bersifat material sesuai dengan Pernyataan Standar Akuntansi Keuangan. Dalam mencegah dari perbuatan korupsi yang dilakukan pihak manajemen, akuntan publik berperan untuk mendeteksi dan keberanian melaporkan dalam hal terjadi fraud pada laporan keuangan perusahaan yang diaudit, dan bersikap profesional dan independen dengan berpegang teguh pada kode etik profesi akuntan publik.

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Introduction

The phenomenon of corruption in Indonesia today is very worrying and harms many aspects of people's lives. On the one hand, corruption can weaken the government system and even the social order. However, on the other hand, corruption at various levels still occurs as if it has become part of the human lifestyle, and sadly, it is considered normal. Indonesia Corruption Watch (ICW) reports that throughout 2022, there will be 579 cases of corruption that will be prosecuted by law enforcement. , compared to 2021, there was an increase of 8.63% (Bayu, 2023). In 2023, during the first semester, the Corruption Eradication Commission (KPK) received 2,707 reports of suspected corruption occurring in State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD), including within the government (Muhamad, 2023). These conditions indicate that the government's commitment to eradicating corruption has not shown the expected results.

In the perspective of Law Number 31 of 1999, which has been amended by Law Number 20 of 2001 concerning criminal acts of corruption (Corruption Law), corruption is anyone who is qualified as acting against the law, enriching themselves, benefiting themselves or others, abuse the authority or opportunities or facilities available to him because of his position or position which can harm state finances or the state economy. Based on the concept of corruption, corruption is grouped into 7 (seven) forms: acts that are detrimental to the state, bribery, gratification, embezzlement in office, extortion, fraudulent acts, and conflicts of interest in procurement (Warkini, 2020). Various modes of corruption can be carried out by a person or several parties to gain personal or group profits, one of which is by manipulating the company's financial reports. Manipulation of financial reports correlates with one of the elements of corruption in the Corruption Law mentioned above, which can be classified as fraudulent.

Public accountants generally audit the financial reports of companies that have gone public. According to Samaha & Khlif (2017), one of the goals is to ensure that the financial reports published are accurate and transparent (Tanujaya, 2023). In practice in the field, it is not uncommon for public accountants who should be positioned as independent auditors to commit fraudulent acts by manipulating financial reports at the request of company management so that their financial performance appears good to parties interested in the company's financial reports. For example, creditors (banks) are interested in the company's financial reports regarding the credit facilities that will be provided. Investors are interested in the company's financial reports as a consideration for investing their capital. Thus, the financial report being manipulated by the public accountant does not rule out the possibility that there is an element of collusion between the public accountant and company management to provide a loophole or opportunity for someone or certain parties to commit corruption.

One example of a corruption case involving manipulating financial reports involving public accountants occurred at the Public Accounting Firm (KAP) Kosasih, Nurdiyaman, Mulyadi, Tjahjo, and colleagues, which prepared the financial reports of PT Waskita Karya Tbk (Waskita) and PT Wijaya Karya Tbk (Wika) since 2021. Its modus operandi is to hide its debts in its books, which results in the debt burden being small so that its financial performance appears healthy, even though Waskita and Wika are currently experiencing financial difficulties, which can be seen from the physical condition of the cash flow being in minus condition. However, in its financial statements, it recorded a profit. Ironically, before the financial reports were published to the public, it was discovered that the financial reports of the two construction issuers had previously gone through at least five stages of an audit, starting from management, board of commissioners, internal audit committee and public accounting firm (Tempo, 2023).

The occurrence of manipulated financial reports resulted in Waskita Karya's President Director, Destiawan Soewardjono, being named a suspect in a case of alleged criminal acts of corruption involving his involvement in irregularities in the use of financing facilities from

several banks carried out by PT Waskita Karya (Persero) Tbk, where Destiawan role as ordering and approving the disbursement of supply chain financing (SCF) funds from banks using fake supporting documents, namely financial reports that have been manipulated (Nurdifa, 2023).

The example of the case above illustrates that a public accountant is suspected of having performed a fraudulent audit of Waskita and Wika's financial reports, thus helping to provide opportunities for his clients to commit corruption. Public accountants as auditors should be able to carry out their role as the last bastion in presenting quality and credible financial reports based on professional ethics as independent public accountants so that acts of corruption can be prevented as early as possible so that they can participate in reducing the number of corruption in Indonesia.

The role of public accountants or auditors in presenting their clients' financial reports can be seen from what is called agency theory and entity theory. Based on the agency theory perspective explored by Ross (1973), there is an attitude of mutual distrust between the principal and the agent, so a third party is needed, in this case, the auditor as an independent party to mediate between the owner and management of the entity (Nabila F, 2021). Agency theory explains the importance of public accountants, namely that principals are shareholders and agents are management, which assumes that humans have self-interest, so a third party is needed who is positioned as an intermediary for the interests of company owners and management.

Shareholders are faced with difficulties in checking that management is working to optimize the welfare of company owners. That is where agency problems will arise when the agent's proportion of company share ownership is less than 100%, making agents act for personal interests. and not based on optimizing company value (Nabila F, 2021). The role of public accountants in presenting their clients' financial reports can also be seen from entity theory, whose attention focuses on corporate governance and accountability with the principle of business continuity. Based on Kalbers & Fogarty's entity theory, each entity, in this case, a Public Accounting Firm (KAP), carries out its business activities to meet stakeholder needs. Therefore, when carrying out its role as an audit service, KAP is carried out to fulfill stakeholders' interests in making business decisions (Nabila, 2021). It is necessary to carry out a more in-depth study through this research on the role of public accountants in preventing corruption in Indonesia, which is linked to compliance with the ethics of the public accounting profession through the Fraud Triangle Theory approach.

Literature Review

According to terminology, a role is a set of behaviors that are expected to be possessed by those in society. In English, a "role" is defined as a "person's task or duty in undertaking". It means "a person's duties or obligations in a business or job." The role is defined as a set of behaviors that people in society are expected to have. Meanwhile, a role is an action carried out by a person in an event (Syamsir, 2014). This research is relevant because public accountants have a relatively broad role in accounting. In the view of Tuanakotta (2010), the role of the Public Accounting profession in the world of accounting can be seen from the existence of public demands which require an independent mechanism between economic entities and stakeholders related to a company's accountability (Tegoeh, 2016). Public accountants can detect misstatements in financial reports that will be presented to the public. In carrying out his role, a public accountant must act as an independent party competent in collecting sufficient evidence based on auditing standards. In essence, public accountants examine financial reports and prepare accounting standards (Sihite, 2021).

The role of public accounting has a broad scope. However, in general terms, public accountants' most important role is to convey quality and credible financial information/reports on a company to give confidence to the public in providing opinions on a company's financial

reports.

Public Accountant

The public accounting profession is known to the public from the audit services provided and then provided for the benefit of users of financial information. In Mulyadi's (2017) concept, a public accountant is an accountant who practices in a Public Accounting Office (KAP), which provides various services that have been regulated based on professional standards for public accountants (Rustam, 2018). Services produced by public accountants for the public interest include assurance, attestation and non-assurance.

Assurance services are also known as professional, competent and independent audit services aimed at improving the quality of reliable and relevant information as a basis for decision-makers regarding the information they examine. Attestation is a statement of opinion or consideration from a competent and independent party relating to the suitability of an entity's assertions regarding all material matters based on accounting principles. Public accountant attestation services are divided into several types, namely auditing services, inspection services and review services. Non-assurance services are produced by public accountants in compilation, tax, and consulting services. Public accountants do not provide any opinion in their findings for this service. Public accountants who provide auditing services include obtaining and evaluating evidence that is used as the basis for a company's historical financial reports, which contain assertions made by company management and then the auditor expresses an opinion on material matters, the financial position and results of the company's operations based on the principles accountancy.

Accounting that provides audit services in the form of a statement of opinion on the suitability of assertions made by other parties with predetermined criteria. Meanwhile, review services provided by public accountants are in the form of requests for information and analytical procedures on an entity's financial information to provide negative confidence in the assertions contained in the financial information (Koerniawan, 2021). Based on the explanation above, the Public Accountant, as a party outside the company being examined, may not have a particular interest in the company or have a special relationship. Public Accountants must be independent, both in fact and appearance and mind, because as people trusted by the public, they must work objectively, not take sides with any party and report as is (Setiadi, 2019).

Accountant Professional

Ethics Professional ethics act as procedures or norms that clearly state a professional's good and bad attitude to act according to the rules that have been implemented. Accountants' professional ethics can be seen based on the code of ethics of the Indonesian Accountants Association. First is integrity. Namely, be direct and honest in all professional and business relationships. The second is objectivity. That is, not allowing bias, conflicts of interest, or undue influence from other parties, which could override professional or business considerations. Third, professional competence and prudence. Namely maintaining professional knowledge and skills at the level required to ensure that clients or employers will receive competent professional services based on the latest developments in practice, regulations and techniques, as well as acting conscientiously and following applicable techniques and professional standards. Fourth, confidentiality, namely respecting the confidentiality of information obtained as a result of professional and business relationships by not disclosing the information to third parties without clear and adequate authority, unless there is a legal or professional right or obligation to disclose it, and not using the information to personal benefits of Professional Accountants or third parties. And fifth, professional behavior. They comply with applicable laws and regulations and avoid behavior that reduces trust in the professional accounting profession (Indonesia I. A., Code of Ethics for Indonesian Accountants, 2020).

Concerning the accounting profession, some responsibilities must be borne by public accountants or external auditors, which are contained in the 2021 Public Accountant

Professional Standards (SPAP 2021). First, it is responsible for detecting and reporting errors (accidental omissions or misstatements) and irregularities as opposed to errors, especially fraud. Second, communicate beneficial audit results and provide early warnings about possible business failures and suggestions for actions that must be taken. Third, the responsibility is to maintain the professional independence of public accountants and avoid conflicts with their clients. Fourth, the responsibility to find legal actions from clients in the event of legal violations, however, is not the competence of public accountants in determining legal actions but rather from the results of legal expert assessments. Moreover, fifth, improving the quality of human resources to produce quality audit results according to the community's demands using audit services (Primasari, 2014).

Fraud Triangle Theory

Donald R. Cressey put forward a theory called the Fraud Triangle. This theory explains the background of someone committing fraud (Wahyuni, 2017). This theory hypothesizes that 3 (three) variables are the driving factors for someone to commit fraud, namely, there is a financial problem that needs to be kept secret (pressure), there is an opportunity to commit fraud (opportunity), and the rationalization of the perpetrator (rationalization). (Wahyuni, 2017). According to Skousen et al. (2009), pressure is interpreted as a situation where a person feels depressed or pressured, and the difficulties faced by a person are complex conditions. This means that pressure can be a motivation for someone to take action or take action. The pressure itself, in general, according to SAS No.99, is faced with several conditions that can result in fraud, namely financial stability, external pressure, personal financial needs, and financial targets (Wahyuni, 2017).

Financial stability, according to Skousen et al. (2009), is a company's financial condition whose condition describes a stable condition. In such conditions, according to SAS No. 99, managers will be faced with pressure to commit fraud when financial performance is threatened with worsening by environmental conditions, for example, due to economic conditions, industry, etc. External Pressure, according to Skousen et al. (2009) is excessive pressure experienced by management because there are demands to meet the requirements or expectations of third parties. Under such conditions, Skousen et al. (2009) further explained that managers may feel pressure as a way to obtain additional loans (debt or financing) for the company to survive and remain competitive. The emergence of debt in a company often causes management to report high profitability, thus encouraging fraudulent financial reporting by increasing company profits. According to Skousen et al. (2009), financial targets are excessive pressure on management to achieve financial targets planned by directors or management. In carrying out their performance, company managers must employ the best management skills to achieve planned targets. ROA (Return On Assets) is a profitability ratio used to measure a company's effectiveness in generating profits by utilizing its assets (Wahyuni, 2017).

Method

The writing of this research refers to the opinion of Mamahit & Urumsah (2018), who used qualitative methods with a literature study approach by making observations and reviewing information related to the research topic. The author then combines this method with previous research relevant to this research to explain an event that will occur (Arianto, 2021).

Data collection was carried out using literature studies and case studies. The literature study was carried out by studying books, articles, research journals, online newspapers, and other literature sources relevant to this research (Rinjani, 2022), where the author collected information regarding the role of public accountants in preventing corruption in Indonesia concerning ethics. Profession will then be reviewed to determine to what extent public accountants' effectiveness has a role in preventing corruption in Indonesia according to their profession.

Referring to the concept of Zed (2008), several stages will be carried out in research using

this literature study approach. First, researchers make observations and examine various information related to the research topic, especially the theories used in previous research. Second, researchers collect various literature that is relevant to the research topic in order to explain the events that occurred. The literature collected to be used as a reference is in the form of scientific journals and other supporting information that is relevant to this research. The aim is to adjust the results of research findings that are relevant as preliminary studies with the latest studies (Arianto, 2021) so that verification of previous studies can find elements of novelty in subsequent research.

Data collection through case studies is intended to be data used for analysis by taking examples of alleged manipulation of financial reports carried out by PT Waskita Ybk and PT Wika Tbk related to the role of Public Accountants in these cases. This data was obtained from online media related to cases of financial report manipulation at the two companies. Secondary data obtained in the research was analyzed qualitatively because, according to Rahmat (2015), qualitative research is descriptive and tends to use analysis with a deductive approach (Rinjani, 2022). The deductive approach is intended to apply theory to research data taken from literature and the fraud triangle theory as an analytical tool to test the theory.

Result and Discussion

This research is based on the alleged manipulation of financial reports at Waskita and Wika, which involved public accountants. Waskita and Wika are suspected of submitting reports that do not correspond to real conditions, where the financial performance of the two companies appears to be making profits that have been going on for years, even though the natural cash flow has never been positive. This means that the two state-owned companies are currently experiencing cash flow difficulties. Apart from thin profit margins, several projects are experiencing losses, such as integrated work (Engineering, Procurement and Construction) (Ramadhani, 2023).

The modus operandi used by Waskita and Wika was to cheat the bookkeeping by hiding the amount of invoices from vendors, which they had been doing since 2016. As a result, liabilities dropped drastically, and the financial condition appeared healthy, even though the two companies' financial condition was difficult. As an illustration, in 2020, Wika made a net profit of IDR 322 billion, in 2021 there will be a decrease in net profit to Rp. 214 billion, and in 2022, net profit will decline drastically to IDR 12.5 billion. Meanwhile, Waskita, in its report, recorded a decrease in net loss in 2020 from IDR 9.28 trillion to IDR 1.67 trillion in 2022. Ironically, before the financial reports of the two companies were published, they had gone through at least five stages of examination: management, board of commissioners and audit committee, public accounting firm, and Financial Services Authority (OJK). However, all stages of the examination of Waskita and Wika could not detect any acts of manipulation of financial reports (Tempo, 2023). In fact, the more people or parties who carry out audits, the more accountable the quality of financial reports can be.

Regarding the issue of manipulated financial reports, Waskita President Director Destiawan Soewardjono was named a suspect in a case of alleged criminal acts of corruption because he was involved in irregularities in the use of financing facilities from several banks whose role was to order and approve the disbursement of supply chain financing funds using fake supporting documents (Nurdifa, 2023). Regarding the alleged manipulation of Waskita's financial reports, the Crowe Indonesia Public Accounting Firm responded that, as an independent auditor, it had audited the financial reports according to applicable standards and procedures, which were very clear and mandatory. In his report, the auditor gave his opinion that the financial statements were presented fairly in all material respects, and it was stated that the financial performance and cash flows were also under financial accounting standards in Indonesia. However, the 2022 audit results showed that cash flows from operating activities

minus IDR 106.58 billion. Furthermore, KAP Crowe Indonesia explained that financial reports are the responsibility of company management (Kontan, 2023.)

Conclusion

The role of a Public Accountant is to provide audit services on historical financial reports divided into at least 2 (two) parts. First, audit a company's historical financial reports prepared by the company's internal accountant based on Indonesian Accounting Standards. Second, assess the fairness of the company's audited financial statements and provide an opinion on the presentation of material financial statements following the Statement of Financial Accounting Standards (PSAK). In this role, public accountants must work professionally and independently to produce quality standards and credibility of company financial reports useful for interested parties.

Public Accountants have a role in preventing corruption through financial reports with several efforts that need to be made. First, have the responsibility to detect and have the courage to report fraud in the event of audited financial reports. Second, it is essential to provide early warning regarding the possibility of business failure due to worsening financial performance and to provide suggestions in the form of actions that need to be taken by management. Third, maintain professional independence and avoid conflicts with the company. Moreover fourth, improving the quality of professional and independent human resources by adhering to the code of ethics of the Public Accountant profession.

This research has several research limitations that researchers experienced. These limitations can, of course, influence the research results, namely as follows: The author conducted qualitative research by taking limited case examples from online media as supporting data only. The author did not examine the role of public accountants in auditing financial reports at a macro level, which is only limited to loopholes and preventing corruption from acts of fraud on audited financial reports, so there is still much room for further research. The implications of the results of the research that the author conducted are as follows: Fraudulent audits by public accountants on audited company financial reports have the potential to provide opportunities to commit acts of corruption, but this is not the only causal factor that needs to be investigated in more depth. Public accountants' compliance with accounting professional ethics can prevent corruption by disclosing true financial reports.

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