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CITATION:

Samosir, J. T., (2025). Analysis
Critical to Implementation of the
Code of Ethics Public
Accountants in Fraud Cases in
Indonesia. *Journal of Asian
Auditing and Finance*, 1 (1), 49-55.

ARTICLE PROCESS

Received: 16 Feb 2024

Revised: 20 Aug 2024

Accepted: Feb 15, 2025



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Article Type: Research Paper

Analysis of the Code of Ethics Public Accountants in Fraud Cases in Indonesia

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Abstract:

This article discusses the implementation of code ethics in public accounting in Indonesia and provides a critical analysis to fraud cases that occur in practice accounting. The code of ethics of professional accountants, regulated by the Association of Indonesian Accountants, has a role in building the public's trust and preventing fraudulent practices. Through method studies, literature, and descriptive analysis, this study identified several cases of manipulation of reports involving companies and accountants, resulting in significant financial and trust loss in public professional accounting. Findings show that the implementation of consistent ethics and awareness of high ethics among accountants and the public is necessary to face the dilemma of ethics that often appears in their practices. This study emphasizes the need to enforce stricter ethical and preventive steps to improve the integrity of professional accountants in Indonesia.

Keywords: Code of Ethics, Public Accountants, Fraud, Public Trust

Introduction

The Code of Ethics profession becomes a mandatory rule obeyed by all developer professionals except accountants (Agustina & Indrayani, 2020). Professional accountants need the trust of society to run in practice, and various ethical professions must be applied (Rahmawati & Nani, 2021). Professional ethics for public accountants in Indonesia is regulated in the Code of Ethics Professional Public Accountants (Fadly et al., 2021). The code of Ethics is of a nature tie for members of Bond Indonesian Accountants (Fadly et al., 2021). Code of Ethics Profession Public Accountant is a regulation of ethics and guidelines that must be adhered to by members of the IAPI (Institute of Indonesian Public Accountants), staff professional (good) IAPI members, and no IAPI members).

Staff professional (good) IAPI members and No IAPI members) who works at a Public Accounting Firm (KAP) (Fadly & Wantoro, 2019).

Implementation of a consistent Standard Ethics Professional Public Accountant (SPAP) by all member professional accountants is key to building and maintaining trust in public quality service accounting in Indonesia and becoming a fortress defense against detrimental fraudulent practices.

SPAP is a set of references becomes size mandatory quality complied with by accountant in giving their services. Code of Ethics Bond Indonesian accountants consists of 3 parts, namely: first, Ethical Principles, where this principle provides a framework based for rules ethics that regulate the implementation of giving service professional by members. The Ethical Principles were approved by Congress and applied to all members. Second, the Rules of Ethics, approved by the General Meeting Member Set, only tie members of the set concerned. Third, Interpretation Rules of Ethics are interpretations issued by a body formed by the association after considering the responses from members, and parties concerned others as a guide in the implementation of the rules of Ethics without intending to limit the scope and application.

According to Machfoedz (1997), an accountant is said to be professional if they fulfill three conditions, namely skilled, knowledgeable, and characterful. Character shows the personality of a professional, among others, realized in attitudes and actions, ethics. The attitudes and actions of an ethical accountant will be very decisive in his position in society and his professionalism.

Adams et al. in Ludigdo (2007) stated that there are several reasons Why code ethics need to be created, including (1) A Code of ethics is a how-to-fix climate organization so that individuals can be applied in a way ethical. (2) Control ethics are required because the legal system and market do not have enough capable direct behavior organizations to consider the moral impact in every decision in its business. (3) The company needs a code of ethics to determine business status as a profession, where the code of ethics is one of the markers.

Literature Review

Fraud cases refer to actions of fraud committed with the intent of an individual or group to obtain profit illegally. Fraud can occur in various sectors, such as business, finance, and government, and generally involves the concealment of information, forgery of documents, or data manipulation.

One form of fraud is financial fraud, which involves manipulating the report of finance to provide misrepresentation about the financial condition of a company. Examples of this financial fraud include inflation in income, reduction amount of debt, and concealment losses. In addition, there is also accounting fraud, which is action fraud committed by accountants or auditors at the time compiling report finance, such as forgery notes accountancy or neglect principle applicable accounting.

Operational fraud is from others, and what happens when individuals in the company take action that is detrimental to cheating companies, such as theft of assets or embezzlement? Customer fraud happens when customers commit fraud

to companies, for example through returning items that are not original or using credit card. Meanwhile, internal fraud is an action fraud committed by employees or management companies for the benefit of personal, which often involves collusion with parties outside.

The impact of Fraud cases can be very detrimental. This includes loss of big finances for the company or individual, loss of trust from investors, customers, and stakeholders' interests, and action laws and possible sanctions charged to perpetrators and companies. In addition, fraud can damage the reputation company, which in turn can influence the continuity of the business.

To prevent and handle fraud cases, companies generally do various step important. They implement system effective internal control, providing training ethics and awareness to employees, as well as conducting regular audits to detect deviation. In addition, the company also needs to report and take action law to fraud perpetrators. In the world of accounting and finance, fraud cases are becoming a very serious problem, because can harm Lots of parties and threaten the integrity profession.

List of Fraud Cases Code of Ethics Profession Accountants: (1). The Case of Arthur Andersen and Enron (2001). Case details, (a). Manipulation report finance with no report amount debt company. (b). The destruction document on Enron's bankruptcy, which was previously stated that the company got profit amounting to \$US 393 million, even though in the period the company experienced a loss amounting to \$US 644 million. KAP Arthur Andersen also conducted manipulation on nine of ten audited companies (banks) throughout 1995-1997. (2). Nine KAP (2001). Case details, this case is coming to light because Indonesia Corruption Watch (ICW) requested police investigate nine KAP. The results of the ICW investigation found that nine KAPs do not do inspections by audit standards. The results of the audit did not correspond to reality, so the result majority of audited banks including the frozen bank's activity its efforts by the government around 1999. (3). PT. Indonesian Railways (KAI) (2005). Case details, manipulation report finances where they should be company loss However reported to obtain benefits. Several posts should be stated as load but rather stated as asset company. (4). Raden Motor Company and BRI Jambi Branch (2010). Case details, and manipulation report Raden Motor's finances in the frame to obtain gush credit from BRI Jambi Branch. (5). Gayus Tambunan (2010). Case details, tax mafia (embezzlement tax). (6). Bank Mutiara against Customer (2012). Case details, violations of code ethics in accountancy Because there are rights from customers who are not fulfilled. (7). The case of PT Sampoerna Agro (2015). Case details found that there is the manipulation of report financial transactions carried out to hide the loss. The auditors involved No report existence of a significant problem in report finances, leading to losses for investors and creditors. (8). The case of PT Garuda Indonesia (2018). Case details, the audit conducted by KAP Tanubrata Sutanto Fahmi Bambang & Rekan received a highlight Because gave an opinion reasonable without exceptions to the report finance although there is an indication that the company manipulated income. This gives rise to questions about auditor integrity and the need for its enforcement code more ethics strict. (9). Asabri Case (2020). Case details, this case involves PT Asabri (Persero), which is known to

manipulate report finance and investments that are detrimental to pension funds military. Several accountants and auditors have faced accusations because considered no operating audit tasks professional, which led to losses amounting to Rp. 23 trillion. The occurrence cases of deviation code ethics show that upholding code ethics in accountant public is not easy. Arens and Loebbecke (2000) stated that the problem lies in an dilemma ethical, namely the situation faced by somebody so that a decision about proper behavior must made.

Professional accountants and the public are often faced with a dilemma of ethics in every service offered. Situation conflict can happen when an accountant public must make an evaluation professional taking into account the corner moral view. Situation conflict or dilemma ethical is a challenge for professional accountants. For that reason, it requires awareness of high ethics, which supports attitudes and behavior of ethical accountants public in facing situation conflict There are Lots factor (good) factors external or internal) that affect the attitudes and behavior of ethical accountants.

Research methods

The research method used is a study of literature. Literature method or studies literature done by searching for data or information research through journals scientific, book references, and materials publications are available in the library and the internet (Nani, 2021). The nature of This research is an analysis, namely the decomposition in a way orderly the data that has been obtained, then giving understanding and explanation to be able to well understood by the readers (Febria Lina & Setiyanto, 2021).

Secondary data is research data sources obtained researcher in a way not directly through intermediary media (Ikhsan, et al., 2021). Data was collected from several sources that raised case implementation code ethics accountant public in fraud cases in Indonesia, such as journals and sources secondary others. Analysis techniques use framework " analysis "What is meant by critical analysis?" critical is a method that examines the phenomenon that occurs accompanied by arguments theoretical.

Results and Discussion

The Challenge in Code of Ethics Enforcement Public

Accountants From various cases that have been described in the study literature, it is visible that enforcement of code ethics accountants in the public in Indonesia still faces several challenges. One of the challenges main thing is the dilemma of ethics that is often faced by accountant public in operating their duties. This condition often puts them in situations of conflict between the interests of business clients and their responsibilities to answer ethically as a professional.

The Enron and Arthur Andersen KAP cases are very well-known examples where the accountant public fail guard the integrity of his profession. Although the KAP own access to information about important finances, they chose to cover the loss experienced by Enron. This reflects a failure to apply rule ethics, where the

pressure from party clients is often stronger than a commitment to run code ethics in a way consistent. A situation similar occurred in the case of nine KAP in Indonesia, which resulted in the collapse of several audited banks. This shows that violation of code ethics Not only impacts the company, but it can also cause loss big for the economy and society wide.

Implementation of the Code of Ethics in Financial

Fraud Cases From the analysis of cases of fraud that have occurred, it is apparent that financial fraud often involves the manipulation of reported finances that are directly contrary to the principles of ethics accounting. For example, in the case of PT Kereta Api Indonesia (KAI), the company serves information misleading reporting the benefits that are not true, even though the actual company experienced loss. Manipulation of this kind of thing is not only damaging the trust public in the company but is also a violation Serious to the code of ethics of the accountant public, which requires the presentation report finance in a way honest and accurate.

Likewise, in the case of PT Garuda Indonesia, it is seen that there is a potential compromise between auditors and company clients. Although there is indication strong about the manipulation of income, the auditor from KAP Tanubrata Sutanto Fahmi Bambang & Partners remains to give the opinion " fair " without exception". This shows weakness in supervision to implementation of code ethics, where the auditor may affected not to report mismatch use guard connection business with clients.

Impact Failure Implementation of the Failure Code of Ethics

Applying code ethics in a way consistent can have an impact, good for the companies involved, and also on professional accountants in a way general. PT Asabri case 2020, which resulted in a loss of up to Rp. 23 trillion, indicating how expensive costs must be paid as paid consequence implementation of weak ethics in reporting. Manipulation carried out by management company, which is not detected or reported by the accountants and auditors responsible answer, causes a loss big for pension funds military and erodes trust in institution state finances.

In addition, violations of code ethics can also damage the reputation profession of accounting in the eyes public. When fraud cases are revealed, the public loses trust in the integrity of the accountant public, which should guard transparency and accountability in finance. As a result, the professional account of the public is often viewed with suspicion, and this can lower the mark on the service the professionals offer.

Efforts to Improve Implementation of the Code of Ethics

To improve the implementation of code ethics in the professional accountant public, some steps must taken. Firstly, it requires more supervision by association professionals like the Bond Indonesian Accountants Association (IAI) and the Institute Indonesian Public Accountants (IAPI) regarding audit practices conducted by KAP. Independent external audits are also needed to be enhanced to prevent collusion between the auditor and the audited company. Second, the company needs to strengthen system internal control for identify and prevent

potential fraud before happens. Training and education programs about the importance ethics profession for the accountant public must Keep being implemented, with an emphasis that cheating or manipulation will impact the law as well as damage reputation in a way significant. Third, the importance of more regulation firms and enforcement of consistent laws to violate code ethics cannot be ignored. The parties authorized must ensure that every violation, as small as whatever, is subject to strict sanctions, both for individuals and also institutions involved. This will send a message strong to the over-accountant public that the integrity profession may compromised.

Conclusion

From the analysis of the results, can be concluded that the implementation of code ethics accountants in the public in Indonesia is still faced with various significant challenges. Cases of fraud that occur reveal the existence of weakness in supervision as well as enforcement rule ethics, which ultimately impact losses and erode trust in society. Therefore, it is important to strengthen the system's internal control, improve awareness of ethics, and implement strict sanctions against violation of code ethics use guard the integrity profession of accountant public in Indonesia.

This study highlights that the implementation of code ethics in professional accountants in the public in Indonesia still needs attention, especially in handling fraud cases. Cases such as PT Garuda Indonesia and Asabri show how importance of integrity as well as professionalism in practice accounting, and show the need to enforce the code of more ethics firms to prevent detrimental violations from various parties.

Required awareness of high ethics among the accountant public to face dilemma ethics that often appear in their job. Therefore, steps like training ethics, implementation of routine audits, and enforcement of the law to the perpetrator of fraud must run to maintain the integrity profession accountants in Indonesia. Thus, the application of Standard Ethics Professional Public Accountant (SPAP) in general consistently will become the runway main in build and maintaining the trust public in quality service accountancy.

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