This title is indexed in Scopus

ISSN : 0972-7302

International Journal of Applied Business and Economic Research

Volume 15 Number 24 2017



SERIALS PUBLICATIONS PVT. LTD.
New Delhi, India

Serials
Publishers & Distributors

International Journal of Applied Business and Economic Research



Published By : Serials Publications Pvt. Ltd.
Frequency : 24 Issues
ISSN : 0972-7302
Price : Click Here

Online Submission

The ***International Journal of Applied Business and Economic Research*** is a peer-reviewed journal.The International Journal of Applied Business and Economic Research (JABER) is a refereed scientific periodical published quarterly (March, June, Septermber & December) in a year by Serials Publishers, New Delhi, India, featuring the latest research findings in business and economics. It provides a forum to both academics and decision makers to advance theory and application in the fields of business and economics. JABER publishes original research in accounting, economics, finance, management and quantitative methods, which has an international orientation.

UGC SERIAL NO.: 669


International Journal of Applied Business and...
Q2
Business and International Management
best quartile
SJR 2017
0.32
powered by scimagojr.com

Serials
Publishers & Distributors

International Journal of Applied Business and Economic Research



Published By : Serials Publications Pvt. Ltd.
Frequency : 24 Issues
ISSN : 0972-7302
Price : Click Here

Editorial Board

Editor in Chief

ARDI GUNARDI
Dept. of Management,
Faculty of Economics & Business,
Universitas Pasundan,
Indonesia

Associate Editor

Prof. Dr. Hapzi Ali, CMA
Mercu Buana University,
Jakarta, Indonesia

Managing Editor

Vijay Kumar Jha
Serials Publications Pvt. Ltd.
New Delhi

Editorial Board Members

XIE Wenjing
Department of Economics,
Baptist University of Hong Kong,
Kowloon Tong,
Hong Kong, China.

HU Yichuan
Department of Economics,
The Chinese University of Hong Kong, Shatin,
Hong Kong, China.

YANG Yixin
Department of Economics
The Chinese University of Hong Kong, Shatin,
Hong Kong, China

XU Xinyi
Department of Economics,
The Chinese University of Hong Kong, Shatin,
Hong Kong, China

Liu Ziyuan
Ph.D candidate in Department of World Economy,
School of International Business and Administration
Shanghai U of finance and Economics,
China

Yi Guanxi
UCLA Anderson Business School
110 Westwood Plaza. Suite C-310
Los Angeles,

Wang Danli Wang
Chinese University of Hong Kong
HYS 509, Shatin, N.T.,
Hong Kong, China

Prof. N. Narayana
Department of Economics,
University of Botswana,
Private Bag UB 705,
Gaborone,

BOTSWANA

Dr. Teena Bagga
Professor,
Amity Business School,
Amity University
Uttar Pradesh

Dr. Mosab Tabash,
Assistant Professor,
College of Business Administration,
Al Ain University,
UAE

Dr. Harsh Kumar
Associate Professor
Amity College of Commerce and Finance
Amity University, Noida

Dr. Renuka Bakshi
Assistant Professor
Amity College of Commerce and Finance
Amity University, Noida

CONTENT

Author : S. Divya Meena, M. Sriram and N. Sundaram

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 1-6

Show/Hide Abstract

A Study on Impact of Collectivism Amongst Floating Population in Bengaluru, Karnataka on ATM Identity Theft

Author : S. Divya Meena, Cherian Thomas and N. Sundaram

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 7-15

Show/Hide Abstract

A Study on Issues Confronted by Bank Account Holders on Usage of Financial Products and Services in Vellore District, Tamil Nadu

Author : M. Sriram, N. Sundaram and Desti Kannaiah

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 17-21

Show/Hide Abstract

A Study on Familiarizing Internet Banking Amongst Senior Citizens in Pathanamthitta, Kerala - An Investigation

Author : Cherian Thomas, S. Divya Meena and N. Sundaram

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 23-31

Show/Hide Abstract

Green Banking Initiatives as Catalyst for Demonetization Chaos – A Study with Reference to ICICI Bank

Author : G. Uma Maheswari, N. Sundaram and Dhanuskodi Rengasamy

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 33-38

Show/Hide Abstract

Service Quality and Technology as an Effect on Customer Satisfaction – A Study with Reference to Public and Private Sector Banks at Nellore Region

Author : G. Uma Maheswari and N. Sundaram

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 39-44

Show/Hide Abstract

Factors Influencing Employee's Job Satisfaction - An Empirical Study Among Employees of IT Sectors in Chennai City

Author : S. Subramanian and M. Kavitha

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 45-50

Show/Hide Abstract

A Study-Reachability of Pradhan Mantri Jan Dhan Yojna in Ernakulam District

Author : Annmaria and Shabu K.R.

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 51-57

Show/Hide Abstract

Problems Faced by MGNREGS Beneficiary's Wage Payment through Bank Account

Author : V. Rajalakshmi and V. Selvam

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 59-65

Show/Hide Abstract

The Impact of the Economy on Teachers' Workin the Russian Federation

Author : Aygul Z. Ibatova

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 67-73

Show/Hide Abstract

A Study on Consumer Preferences Towards Emergence of Malls in Ernakulam District

Author : Rejithathomas, Tincymolthomas and P. Balasubramanian

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 75-84

Show/Hide Abstract

Trade Liberalisation and Inflow of Foreign Direct Investment (FDI) in India

Author : Tarek Tawfik Yousef Alkhateeb, Zafar Ahmad Sultan and Mahmoud Mohamad Fawaz

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 85-93

Show/Hide Abstract

The Study of Comparative of Hope to Life of Retired People in Hard and Hazardous Jobs with other Retirees in West Azerbaijan Social Security Organization

Author : Trouskeh Mahmoodnezhad and Abdollah Mahmoodi

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 95-103

Show/Hide Abstract

International Networking Capability on International Marketing Performance of Thai Garment Entrepreneur in CLMV Market

Author : Thichakorn Kasornbua and Thepparat Phimolsathien

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 105-114

Show/Hide Abstract

Book-Tax Differences and Earnings Persistence

Author : Michelle Alodia Jovita and Verani Carolina

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 115-127

Show/Hide Abstract

Examine the Relationship between the Earning Stability and the Future Stock Price Crash Risk in the Firms Listed in Tehran Stock Exchange

Author : Asgar Pakmaram, Jalal Aspokeh and Mehdi Sharifi

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 129-141

Show/Hide Abstract

Determinants of Public and Private Sector Bank's in India: A Discriminant Model

Author : A. Subbarayan, S. Albert Antony Raj and J. Jothikumar

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 143-153

Show/Hide Abstract

A Comprehensive LR Model for Predicting Bank's Stock Performance in Indian Stock Market

Author : Nataraja N.S, Nagaraja Rao Chilale and Ganesh L

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 155-164

Show/Hide Abstract

Financial Market Development and Employment Nexus in Saudi Arabia

Author : Tarek Tawfik Yousef Alkhateeb, Haider Mahmood, Zafar Ahmad Sultan and Nawaz Ahmad

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 165-174

Show/Hide Abstract

Application of ARMA Models for Measuring Capital Market Efficiency: An Empirical Study in Selected Emerging Financial Markets

Author : Sisir Ranjan Dash and Srinibash Dash

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 175-188

Show/Hide Abstract

The Role of Public Accountant Integrity to Public Accountant Professionalism in Detecting the Manipulation of Financial Statements

Author : Ely Suhayati

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 189-198

Show/Hide Abstract

An Exploratory Study of Integrated Reporting: A Case of Public Listed Companies in Southeast Asia

Author : Nurul Wahida Abdullah, Norhayati Mat Husin and Maisyarah Mohd Nor

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 199-205

Show/Hide Abstract

Corporate Governance of Egyptian State-Owned Banks

Author : Tarek Roshdy Abdel Halem Gebba

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 207-238

Show/Hide Abstract

The Role of Competitive Strategy as Mediation Variable to Improve Business Performance

Author : Brian Pratistha, Ina Primiana, Umi Kaltum, Erie Febrian, Anggono Raras Tirto Sakti, Diana Sari, and Yudi Azis

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 239-246

Show/Hide Abstract

How Could Investors in Financial Market Respond to Entertainers' Romance Rumor?

Author : Gwang Yong Kim and Jinsu Kim

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 247-254

Show/Hide Abstract

Integrative and Holistic Approach for Immunological Disorders using Electroacupuncture

Author : Ahmad Taha Khalaf, Liao Li Feng, Samiah Yasmin Abdul Kadir, Jamaludin Zainol, Saeid Reza Doustjalali, Negar Shafiei Sabet, Vinothini Appalanaidu, Karim Al-Jashamy and A.E. Muftah

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 255-261

Show/Hide Abstract

A Model of Health Care Management with Self-Reliance for MPI Ethnic Group Phrae, Thailand

Author : Wattana Wanitchanont, Siriporn Phuntulee and Nirote Sinnarong

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 263-275

Show/Hide Abstract

Integrated Model of Brand Image, Brand Attachment and Behavioral Intentions: Review and Concept

Author : Liew Kok Keong and Rohaizat Baharun

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 277-285

Show/Hide Abstract

The Impact of Interaction Between Audit Committee and Internal Audit of Enhance the Corporate Governance at Listed Palestinian Companies

Author : Abdul-fattah S. Sartawi and Laith W.Shrouf

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 287-304

Show/Hide Abstract

Inquiry on Ways to Integrate Narrative Into Backward Design

Author : Kang, Hyeon-Suk and Lee, Ji-Eun

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 305-313

Show/Hide Abstract

Students' Perception of the Learning Support Center in Abu Dhabi University and its Impact on their Academic Achievement

Author : Smitha Dev, Anne Shabaya and Hala Elnagar

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 315-325

Show/Hide Abstract

Food Insecurity: The Affects of Socioeconomic and Food Consumption

Author : Nur Hidayah Zaini, Wan Hasmat Wan Hasan, Afzan Nor Talib and Shafinar Ismail

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 327-332

Show/Hide Abstract

The Impact of Internal Control Components on the Reliability of Financial Information

Author : Zahra Safi, Abdollah Ramezani, Mohammad Nazaripour

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 333-342

Show/Hide Abstract

The Effect of Competitive Intelligence on Effectiveness of Marketing Strategies of Refah Bank of Hamedan, Iran

Author : Mohammad Hossein Tahmasebi, Freidoon Salimi and Mohammad Azim Khodayari

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 343-350

Show/Hide Abstract

Application of Fuzzy Decision-making Algorithms to Analyze Indicators of Industry: Quantitative Approach in Fuzzy Space

Author : Ali Rajab Zadeh, Ahmad Reza Ghasemi, Adel Azar and Rohollah Hosseini

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 351-372

Show/Hide Abstract

Impact of Managerial Optimism on Cost Stickiness: Evidence from China

Author : Daecheon Yang and Zhen-Ning Zhang

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 373-383

Show/Hide Abstract

Next Generation Indian Campuses going SMART

Author : Addanki Anirudh, Vipul Kumar Pandey, JS Sodhi, and Teena Bagga

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 385-398

Show/Hide Abstract

Peculiarities of the Legislation of the Asean Countries During the Technology Transfer within the Framework of Foreign Investment Projects and by Other Means (in Case of Vietnam, the Philippines and Indonesia)

Author : Ksenia Mikhailovna Belikova, Natalia Vladimirovna Badaeva, Evgenia Evgenevna Frolova and Mihail Nikolaevich Dudin

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 399-409

Show/Hide Abstract

An Investigation of Consumer Behavior in Telecommunication Services

Author : Tazhibek Akzholovich Bogatov

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 411-423

Show/Hide Abstract

Investment in Human Capital as a Condition for Innovative Development of Network Companies

Author : Mihail Nikolaevich Dudin, Natalia Pavlovna Ivashchenko, Valentina Nikolaevna Sidorenko, Ekaterina Alexandrovna Pogrebinskaya and Irina Vladimirovna Nikishina

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 425-438

Show/Hide Abstract

Market of Luxury Goods and Sales Forecasting Using the Network Analysis

Author : A.G. Kuzmin, V. M. Bykov, M.A. Kazaryan, T.P. Danko and V.D. Sekerin

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 439-450

Show/Hide Abstract

Sustainable Leadership Practices towards Enhancing Employees' Satisfaction: An Analysis Among Bank Employees

Author : Snigdha Dash and Kavita Indapurkar

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 451-461

Show/Hide Abstract

Mercenary - A Mirage of Success: A Case Study with Reference to International Arena

Author : S. Sai Sachidhananda, Khyati Shetty, Pallavi D. R. and Jyothilaxmi

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 463-470

Show/Hide Abstract

Corporate Social Responsibility Disclosure, Firm Value, and Product Market Competition (Evidence from Indonesia)

Author : Dwi Orbaningsih, Bambang Subroto, Imam Subekti and Erwin Saraswati

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 471-482

Show/Hide Abstract

The Development of the Planned-Behavior Theory as an Explanation on the Model on Tax Disobedience (A Study Conducted at 5 KPP of Big Cities in Java Island)

Author : Gema Segara, Surachman, Mintarti Rahayu and Kusuma Ratnawati

Volume : No.15 (2017) **Issue No. :**21 (2017)

Pages : 483-501

Show/Hide Abstract



International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at http: www.serialsjournal.com

© **Serials Publications Pvt. Ltd.**

Volume 15 • Number 21 • 2017

The Role of Public Accountant Integrity to Public Accountant Professionalism in Detecting the Manipulation of Financial Statements

Ely Suhayati[1]

[1]*Lecturer at Accounting Department, Indonesian Computer University*

ABSTRACT

Integrity for someone as a Public Accountant is very important, with the integrity of public accountant someone is educated to become professional accountants in working so as to detect the manipulation of financial statements, although public accountant is not a guarantor to find irregularities in the form of manipulation of financial statements, but public accountant will be considered guilty if it is negligent in carrying out audit procedures.

The method for this study is descriptive verification that aims to determine the relationship between variables through a hypothesis testing by using a hypothesis testing of Structural Equation Modeling Partial Least Square as a tool in making decisions. The study results shows the role of Public Accountant integrity to the public accounting professionalism is 46.6%, while the impact of professionalism in detecting manipulation of financial statements is 38.6%.

Keyword: Integrity, public accountant, professionalism, manipulation of financial statements.

1. INTRODUCTION

"The needs of reliable and relevant information to create a demand for auditing services, auditing plays an important role in the process to produce an opinion on financial statements" (Henry Simamora, 3, 2002; Alfian & Tresna, 2017). "Accountants are always dealing with financial statements and has become a cultural profession that accountants always pay attention to the details, because accountants are always dealing with financial statements that require conducting the audit in detail, to build a financial statement auditor should be accountable for the financial statements, so there are demands that the report must be right, plus an accountant is usually educated with professionalism" (Djoko Susanto in MAI, 10.2014).

According Soedardjono in MAI (12.2014), "the crown of an accountant is integrity, how far an accountant can maintain integrity, do not compromise on an invitation to fraud and cheating, if it can be shown by an accountant, he will be honored. Now often people fear when they are dealing with the authorities, the accountant does not have to be so because he acts based on facts. Accountants have always put forward rules and principles, accountants always work based on standards". Still according to Soedardjono in MAI (12, 2014). "Accountants do not want to compromise to cheat, it must be shown so that people will think twice before they invites us to compromise. Accountants are accustomed to working with complete information, not half" (Djoko Susanto in MAI, 10.2014).

"Public accountant with integrity is absolutely necessary, accountant can act more as he is educated to have integrity as a professional, with high integrity, an accountant would be a deterrent on acts of corruption, not vice viers a that an accountant manipulate reports through creative accounting" (Mardiasmo in MAI, 8, 2014).

The phenomenon occurs, "accountants are often stuck to the profession arrogance, to feel as if their profession is the best it should be reconsidered. In this world there is no perfect system, deficiencies of a system is populated by other systems, accountants have integrity and professionalism" (Soedardjono in MAI, 12.2014), "besides Disruption of integrity has been started when someone asks for special treatment or uncommon treatment, it will be a potential interference with the integrity of the officials who will take a decision" (Muliaman Hadad in MAI, 35 2015), besides, according to Susi Pudjiastuti in MAI (2014) 'claimed that the high score of anti-corruption in Indonesia remained stagnant until last year, this is one of them is caused by weak professionalism", another case according to Rusmawan Anggoro W. in MAI (2015) "the public accounting profession in Indonesia faces audit deficiencies that arise due to lack of professional skepticism application and the increasing complexity of financial reporting".

Tuanakotta (130, 2013) "states that the legal obligations of an auditor has not been clear to public, regulators, and even the auditors themselves, some of the main reasons are the need for wisdom and professional expertise in applying auditing, public misunderstanding (on the role of auditor), political influence, continuous changes (regarding the liability of auditors), the nature of substantive and sampling in the audit, and other environmental factors". Still according to Tuanakotta (130, 2013) "lawmakers and regulators seek to establish definitive legal obligations in a practical form. But the effort is not easy. Financial auditors (internal and external) remain uncertain about the wide legal liability and professional responsibility for detecting fraud when they perform audit".

Based on the introduction above, researchers conducted a study with the title: The role of Public Accountant Integrity to Public Accountant Professionalism in Detecting the Manipulation of Financial Statements, surveys on public accounting firm in Bandung area.

2. THEORITICAL REVIEW

Integrity

To maintain and enhance public confidence, each member must fulfill their professional responsibilities with the highest possible integrity. Other characteristics that distinguish each profession is the recognition by profession members of any needs to have integrity, so that people trust each profession, the profession must act with integrity in all of its decision-making. Integrity is personal characteristic that is valuable to

accounting profession. This component is the benchmark by which the profession members must eventually assess all the decisions that are taken in one engagement. Integrity is also the quality that is the basis for public confidence. Integrity requires professional accountants to be honest and sincere in the corridors of client confidentiality. The accounting profession has always had access to information about the client activities. Information about the client's business strategy is one example, as professionals, professional accountant must maintain the information (Henry Simamora, 47, 2002)

In the Public Accountants Professional Standards, Section 110 (7, 2011) states that:

The principle of integrity requires that each practitioner's to be firm and fair in the professional and business relationship, while Muliaman Hadad in MAI (35, 2015) said Integrity has six pillars, namely honest behavior, commitment to the vision and mission, Consistent and objective, Dare to take a decision as well as ready to take risks, Discipline and Responsible

From the above explanation, the indicators for integrity of this study are: Assertive, Honest, Commitment, Consistent, Objectives, Discipline and Responsible

Professional

In the Public Accountants Professional Standards, Section 150 page 16.

Principles of professional behavior requires each of accountants to comply with any laws or regulations and avoid any action that could discredit the profession, this includes any action that could lead to the creation of the negative conclusion by a third party that is rational and has knowledge of all the relevant information to lower the profession reputation.

According to common definition, a person is said to be a professional if he meets three criteria, having the expertise to carry out duties in accordance with the field, carrying out a task or profession by setting standards in the related field of professions and performing the profession task in compliance with the Professional Ethics which has been set.

Simply, professionalism means that accountants shall carry out their tasks with seriousness and rigor. As a professional, accountants should avoid negligence and dishonesty. As professionals, accountants acknowledge their responsibility towards society, clients, and peers, including behave respectably though this is a personal sacrifice.

Section 150.2

In marketing and promoting himself in his work, every accountant must not demean the profession; every accountant must be honest and must not do action:

(a) Making overstatement of professional services that can be provided the qualifications which are possessed or the experience which has been obtained.

(b) Making derogatory statements or performing comparisons that are not supported by evidence of the work of other accountants.

Profession by Hidayat Nur Wahid (9, 2006) is a conscious choice which is made by someone, a "work" that is specifically selected, done consistently, continously, so that one can call if he had worked in that field.

While the professionalism which over arches the profession is passion, paradigm, spirit, behavior, ideology, thought, intellectually to improve the quality of their profession. Professional is broadly related and consistent with the profession itself.

From the above explanation, the indicators for professionalism in this study are:

1. Auditing according to the rules and laws
2. Refraining the act which discredits the profession
3. Respecting colleagues

Detect the Financial Statements

According to Tuanakotta (1, 2013) the definition of *fraud*, "manipulation":

1. To be intentional.
2. To be done with malicious intent, discreetly and deliberately to cover up the important fact. There is the element of *deception*, blurring or camouflage.
3. The aim is to gain illicit (*illegal advantage*).

Still according to Tuanakotta (19, 2013)

The term "manipulation" is a translation of *fraud* (which is against the law) in the context of accounting and financial reporting. Manipulation is done deliberately, with malice by the leader or manager of the entity and not by the auditor. The linkages "manipulation" by accountant is associated with the questions that are frequently asked, such as:

1. Whether auditor is responsible for detecting manipulation in financial statements?
2. What are the expectations of the stakeholders to auditor regarding disclosure or manipulation detection of financial statements?
3. Whether auditor and audit engagement that provides *reasonable assurance* can be relied upon to detect manipulation in financial statements?
4. Or is it required special skills (forensic accounting and investigative audit)?

Tracing the history of the view that auditor is not a bloodhound who must be able to detect fraud, especially manipulation in financial statements. The search showed that this view (that auditor is not a bloodhound, but the watchdog or guard dog) it is said by a judge in the appeal court in England in 1896 (Tuanakotta, 105, 2013), still according to Tuanakotta (109, 2013) the questions that arise how much the auditor's responsibility to detect fraud? The definitive answer is that auditor is not responsible for revealing errors and fraud which is not *material*.

Auditor is not a detective, or as it says, to do approach (in audit) with suspicion, or conclusions that (it is obvious) there is something wrong. Auditor **is a watchdog, not a bloodhound**. Auditors should not be held the responsibility if they do not successfully reveal fraud scheme that is so neat, when there is nothing which arouse auditors' suspicion.

According to Samuel A.D. piazza, CEO of Price water house Coopers interviewed by Economic Times (February 18, 2003) in Tuanakotta (123, 2013) about the role of auditor, the answer is:

In general, audit is not designed to detect fraud. Audit is designed to assess the financial position of company. When doing it carefully, we observe whether there are things that look strange/extraordinary, and sometimes it is found that it may find cheating.

Still according to Samuel A.D. piazza in Tuanakotta (123, 2013) it is not fair to expect all fraud cases will be revealed in audit. But I agree, there is the issue of expectations here. Public thinks that we should be able to detect fraud and therefore we believe that we must increase our focus on cheating. The gap between public expectations about what we should do and what we are really doing is partly the cause of the present confidence crisis. In a process of solving this problem we have to be realistic. If we do an audit with the aims of revealing all the cheating, the fee for the audit will be increased 10 to 20 times. Because it is a trade off between risks and benefits which should be considered.

There are some basic concepts which are related to the auditor's responsibility to disclose material fraud:

1. The first and foremost responsibility to present financial statements that are free from material misstatement, which is caused by willful misconduct (fraud) or error (unintentional, error) is on the company owner (in the closed company) or management (in a public company). In the universal capital market regulations, this responsibility ultimately is at the CEO (*chief executive officer*) and CFO (*chief financial officer*). The owner/manager of the company is responsible for building the environment and internal control systems so that the financial statements are free of material misstatement.
2. When the manager (public company) conveys financial and nonfinancial information to users, there is inequality of information (*information asymmetry*). Managers know (or should know) whether the information is delivered to user information, it is true or not. Instead, users of financial statements bear the information risk (information risk), the risk that the information which receives, it is not true.
3. To reduce the risk of information to low enough level that can be accepted (*acceptably low level*), the auditor's role. Auditor checks the reasonableness of the assertion or statement which is made or implied by manager of the company. The parables which are close to it is the profession of journalists who cover the news and present the facts about what happened, and their opinions about that fact. If that is presented does not correspond to the facts, and them embers of profession (journalists or public accountant) provide opinion as if the report has already been appropriate with the object it covers, at least report users question the ability or the credibility of the complainant (journalist or public accountant).

According to Tuanakotta (117, 2013) Auditor's Responsibilities are:

1. Auditor who conducts his audit is responsible for obtaining adequate assurance that the overall financial statements are free from material misstatement, due to fraud or error. Because innate constraints of an audit, there is a risk that it is inevitable that a material misstatement in financial statements might not be detected, even though audit is planned and implemented with appropriate ISAS.

2. The potential impact of native constraints on an audit, is particularly significant in the case of misstatement due to fraud. The risk of not detected a material misstatement due to fraud is greater than material misstatement due to error. This is because fraud may involve sophisticated and well organized ways to hide or disguise it, as in forgery, deliberately do not record the transaction, or intentionally giving false representations to the auditor. The attempts to hide the fraud would be more difficult to detect if it is done with conspiracy. Conspiracy could cause auditor to believe that audit evidence is persuasive, but in fact it is false. The auditor's ability to detect fraud depends on the factors such as the perpetrator expertise, the frequency and width of manipulation, whether there is collusion, amounts which are manipulated, and the perpetrators seniority. The auditor may be able to identify potential opportunities for fraud, but it is difficult to determine whether misstatements in the things that require thinking such as accounting estimates occurred due to fraud or error.
3. The risks for auditors to detect misstatements due to fraud by management is greater than cheating by employees, as the management is in the position that is directly or indirectly manipulating accounting records, making false financial information or authorized in cutting control procedures which are designed to prevent similar fraud to the employee.
4. When obtaining adequate assurance, auditor is responsible for maintaining his professional vigilance during the audit, by considering the potential of management shutting down or stopping the control and realizing that effective audit procedures to detect the error may be ineffective to detect fraud.

From the above explanation, the indicators for detecting financial statements manipulation in this research are:

1. Giving opinion on the presentation of financial statements that is supported by evidence
2. Accurate and relevant information in the opinion on the presentation of financial statements
3. Public Accountant examines the reasonableness of management's assertions

3. RESEARCH METHODS

The research method in this study is *Descriptive Verifikatif (Causal). Descriptive* research is the research that illustrates the characteristics of the variables which are examined in a situation, whereas *Verification (Causal)* is a research that aims to identify causal relation between variables through a hypothesis testing of *Structural Equation Modeling Partial Least Square* as a tool in making conclusions.

In this research, data collection method was survey method for researching more than one public accounting firms, whereas types of data in this study is consisted of primary data and secondary data.

The population in this study was 30 Public Accounting Firms in Bandung Area (Directory IAPI 2016). The sample used as many as 15 Public Accounting Firms due to limited, time, place and cost, of 15 Public Accounting Firms it is represented by three public accountants for one Public Accounting Firm. The paradigm of this research is:



Figure 1

4. RESEARCH RESULT

To test the role of integrity (X) in professionalism (Y) and its impact on detecting financial statements manipulation(Z), researcher will use *structural equation modeling* with partial least square alternative method using SmartPLS 2.0 *software*. In *structural equation modeling* there are two types of models which are formed, they are measurement model and structural model. Measurement model describes the variance proportion of each manifest variable (indicators) that can be explained through latent variables. Through measurement model it will be known which indicators are more dominant in reflecting latent variables. After each measurement model of latent variables is described it will further be elaborated the structural model that will examine the role of independent latent variables (*exogenous latent variable*) to dependent latent variable (*endogenous latent variable*).

5. MEASUREMENT MODEL (OUTER MODEL)

Measurement model is a model that connects between latent variables with manifest variables. In this study, there are three latent variables with 13 manifest variables. Integrity latent variables consists of seven manifest variables, professionalism latent variables consists of three manifest variables and latent variables in detecting financial statements manipulation which consists of three manifest variables. The calculation result uses *SmartPLS 2.0* it is obtained path diagram of full model as follows:

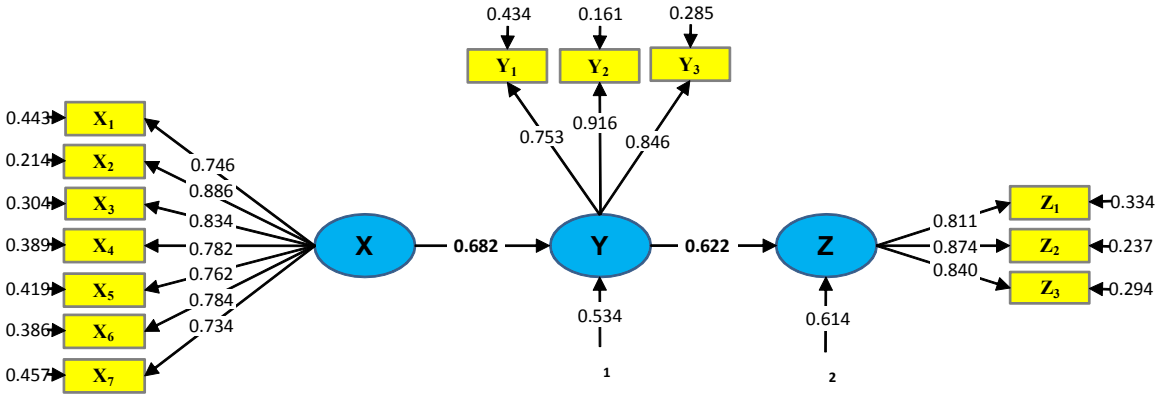


Figure 2: Full Model of Line Diagram

Through the factors weight which is contained in Figure 1, it can be seen in integrity latent variables (X), X_2 dimension (Honesty) is the most powerful in reflecting integrity latent variable, on the contrary X_7dimension (responsible) is the weakest in reflecting integrity latent variable. At professionalism latent variable (Y), Y_2 dimension (avoids any action that discredits profession) is the most powerful in reflecting professionalism latent variable, on the contrary Y_1dimension (audit according to the rules and laws that apply) is the weakest in reflecting professionalism latent variable. At last on latent variable in detecting financial statements manipulation (Z), Z_2 dimension (information that is accurate and relevant in the opinion on

the presentation of financial statements) is the most powerful in reflecting the latent variable on detecting financial statements manipulation, on the contraryZ_1dimension (Giving an opinion on presentation of financial statements which is supported by evidence) is the weakest in detecting latent variable on detecting financial statements manipulation.

Furthermore, to determine whether the indicators which are used to measure the integrity and to detect financial statements manipulation has had high degree of conformity, then it is calculated *composite reliability* and *variance extracted*. Here are the calculation results of *composite reliability* and *variance extracted* for each latent variable.

Table 1
Construct Reliability (CR) dan Variance Extracted (VE)

Variabel Laten	*CR*	*VE*
Integritas	0,921	0,627
Profesionalisme	0,878	0,707
Mendeteksi manipulasi laporan keuangan	0,879	0,709

In integrity latent variables, *extracted variance* value of 0.627 indicates that on average 62.7% of the information which is contained in each of manifest variables can be represented through integrity latent variables. Then *composite reliability* value of integrity latent variables (0.921) is still greater than that is recommended it is 0.70. Furthermore, on professionalism latent variables, extracted variance value of 0.707 indicates that on average 70.7% of the information which is contained in each manifest variables can be represented through professionalism latent variables. Then composite reliability value of professionalism latent variables (0.878) is still greater than that is recommended it is 0.70. Recently on latent variable that detect a financial statements manipulation, *variance extracted* value of 0.709 indicates that 70.9% of information that is contained in each of manifest variables can be represented through latent variables to detect financial statements manipulation. Then composite reliability value of latent variable detects financial statements manipulation (0.879) is is still greater than that is recommended it is 0.70.

Structural Model (Inner Model)

Structural model is a model that links *exogenous* latent variables with *endogenous* latent variables. Based on the results of data processing it is obtained structural equation that will be tested as it is presented in the following table.

Table 2
Structural Equation of Integritas Role to Professionalism and its Impact in Detecting Financial Statements Manipulation

Sub Struktur	*Jalur*	*Koefisien*	t_{hitung}*	*R-Square*
Pertama	**X → Y**	0,682	13,731	0,466
Kedua	**Y → Z**	0,623	8,120	0,386

*t_{kritis} = 1,96

Through the R-square value it can be seen that integrity gives the role of 46.6% in auditors' professionalism at Public Accounting Firm in Bandung. Then the impact of professionalism gives 38.6%

influence on the detection of financial statements manipulation at Public Accounting Firm in Bandung. Furthermore, to prove whether integrity contributes to professionalism and its impact in detecting financial statements manipulation, then hypothesis test is done.

The Influence of Integrity

$H_0 : \gamma_{1.1} = 0$ Integrity does not play a role in auditors' professionalism at Public Accounting Firm in Bandung.

$Ha : \gamma_{1.1} \neq 0$ Integrity plays a role in auditors' professionalism at Public Accounting Firm in Bandung.

Based on the data in Table 5 it is seen $t_{statistic}$ value of integrity variable (13.731) is greater than $t_{critical}$ (1.96). Because $t_{statistic}$ value is greater than $t_{critical}$, then the error rate of 5% was decided to reject Ho so Ha is accepted. So based on the test results it can be concluded that integrity contributes to accountants' professionalism at Public Accounting Firm in Bandung. The study provides empirical evidence that higher integrity will improve accountants' professionalism at Public Accounting Firm in Bandung. Integrity gives the role of 46.6% in accountants' professionalism at Public Accounting Firm in Bandung.

The Effect Professionalism

$H_0 : \beta_{2.1} = 0$ Professionalism does not play a role in detecting financial statements manipulation at Public Accounting Firm in Bandung.

$Ha : \beta_{2.1} \neq 0$ Professionalism plays role in detecting financial statements manipulation at Public Accounting Firm in Bandung.

Based on the data in Table 5 it is seen $t_{statistic}$ value of professionalism variable (8.120) and is greater than $t_{critical}$ (1.96). Because $t_{statistic}$ value is greater than $t_{critical}$, then at the error rate of 5% it was decided to reject Ho so Ha is accepted. So based on the test results it can be concluded that professionalism plays a role in detecting manipulation of financial statements at Public Accounting Firm in Bandung. The study provides empirical evidence that higher professionalism will make the detection of financial statements manipulation better at Public Accounting Firm in Bandung. Professionalism provides role at 38.6% against the detection of financial statements manipulation at Public Accounting Firm in Bandung.

6. DISCUSSION

To cope with the disruption of integrity when someone asks accountant for special treatment or uncommon treatment, accountant must be Assertive, Honest, Commitment, Consistent, Objectives, Discipline and Responsible, whereas to prevent fraud because accountants' professionalism is weak, is when doing Audit an accountant must be according to the rules and laws, Refrain the action which discredits profession and Respect colleagues, so that in the end accountant will be able to detect the manipulation of financial statements through the Giving an opinion on the presentation of financial statements which are supported by evidence, obtaining accurate and relevant information in the opinion on the financial statements presentation and Public Accountants examine the reasonableness of management's assertions

7. CONCLUSION

Public Accountants Integrity has a role of 46.6% in the professionalism of public accountants, while professionalism has an impact in detecting manipulation of financial statements of 38.6% means a public

accountant who is Assertive, Honest, Commitment, Consistent, Objectives, Discipline and Responsibility, then the accountant in conducting his audit will be according to the rules and laws, avoid the actions that discredits profession and respect for colleagues so that to detect the manipulation of financial statements through Giving an opinion on the presentation of financial statements which is supported by evidence, obtaining the information which is accurate and relevant in the opinion on the financial statements presentation and Public Accountant examines the reasonableness of management's assertions.

References

Alfian & Tresna, M. G. (2017). The influence of company's age and owner's/manager's education on the use of accounting information in small and medium enterprises *International Journal of Business and Administrative Studies, 3*(2), 64-71.

Cooper, D. R, & Schindler, P. S. (2006). *Business Research Methods.*(9th ed.). International edition. Mc Graw Hill.

Hendry Simamora 2002, "Auditing", UPP AMP YKPN, Yogyakarta.

Institute Akuntan Publik Indonesia bekerjasama dengan Kementrian Keuangan Republik Indonesia dan Sekretariat Jenderal Pusat Pembinaan Akuntan dan Jasa Penilai. 2016. *Directory Kantor Akuntan Publik dan Akuntan Publik.*

Kaplan, R.M and Saccuzo, D.P. 2005. Psychological Testing, Principles, Aplications. And Issues. (6th ed.). Thomson Wadsworth, Belmont USA.

Kurniawati, E. P., & MeilianaIntani, A. (2016). Effect analysis of the use of accounting information, managerial performance and employee performance Towards SMEs. *Journal of Administrative and Business Studies, 2*(3), 130-142.

Majalah Akuntan Indonesia (MAI), Januari 2014, "Akuntan di Tampuk Kepemimpinan Nasional", Ikatan Akuntan Indonesia", Jakarta Pusat.

Majalah Akuntan Indonesia (MAI), Juni-July 2015, "Revolusi Industri 3.0", Ikatan Akuntan Indonesia", Jakarta Pusat.

Standar Profesional Akuntan Publik, 31 Maret 2011, Institute Akuntan Publik Indonesia, Jakarta.

Sukrisno Agoes, 2007, "Auditing (Pemeriksaan Akuntan) oleh Kantor Akuntan Publik", Lembaga Penerbit FE-UI, Jakarta.

Theodorus M. Tuanakotta, 2013, "Mendeteksi Manipulasi Laporan Keuangan", Salemba Empat, Jakarta.

Hidayat Nur Wahid in "Economic Business Accounting Review ; Benang Hijau Profesi dan Profesionalisme" Edisi II, April 2006 page 9.