ACCOUNTING AUDITING STANDARDS

The Comprehensive Guide to SPAP and the Code of Ethics for Indonesian Public Accountants

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In the globalized financial landscape, the integrity of financial reporting stands as the cornerstone of investor confidence and economic stability. Within the Indonesian context, this integrity is safeguarded by a rigorous framework known as the **Standar Profesional Akuntan Publik (SPAP)** and the **Kode Etik Akuntan Indonesia**. These regulatory pillars are not merely guidelines but mandatory protocols that dictate how auditing and assurance services are conducted. As the financial sector evolves, the synergy between technical auditing standards and ethical conduct becomes increasingly critical for the **Institut Akuntan Publik Indonesia (IAPI)** and the **Ikatan Akuntan Indonesia (IAI)**.

The Theoretical Framework of Auditing in Indonesia

To understand the complexities of the **Standar Profesional Akuntan Publik (SPAP)**, one must first establish a firm definition of auditing. As articulated by Mulyadi (2013), auditing is defined as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events. The primary objective is to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

The Role of the Auditor Independen

An independent auditor is tasked with the heavy responsibility of fulfilling the auditing standards set forth by the professional bodies. According to the **Section 202 of the Rules of Ethics**, auditors must maintain a position of neutrality. This independence is divided into two distinct but related categories:

- Independence in Fact (Independence of Mind): The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment.
- Independence in Appearance: The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would conclude that an auditor's integrity, objectivity, or professional skepticism has been compromised.

Structural Components of SPAP (Standar Profesional Akuntan Publik)

The SPAP is a comprehensive body of standards that regulates various types of services provided by public accountants. It is modeled after international standards to ensure that Indonesian audit reports are comparable and credible on a global stage. The framework is divided into several specific standards:

1. Standar Audit (SA)

The **Standar Audit (SA)**governs the responsibilities of the auditor when performing an audit of financial statements. These standards include the quality control procedures that an auditor must follow to ensure that the audit complies with professional standards and legal requirements. Key elements include risk assessment, evidence gathering, and the formation of an audit opinion.

2. Standar Pekerjaan Reviu (SPR)

While an audit provides high, but not absolute, assurance, a review provides limited assurance. The **Standar**

Pekerjaan Reviudictates the procedures for reviewing financial statements, which primarily involve inquiry and analytical procedures rather than the exhaustive testing seen in a full audit.

3. Standar Jasa Assurance Lainnya

Beyond traditional audits and reviews, accountants provide other assurance services, such as examining prospective financial information or compliance with specific regulations. These are governed by the **Standar Jasa Atestasi (SJA)** and other related frameworks.

The Indonesian Code of Ethics: 2020 Update (KEPAP)

Effective from July 1, 2020, the **Kode Etik Profesi Akuntan Publik (KEPAP) 2020** represents a significant modernization of ethical requirements. This code was jointly developed by the three primary professional associations: IAI, IAPI, and the **Institut Akuntan Manajemen Indonesia (IAMI)**. The code is designed to provide a conceptual framework that helps accountants identify, evaluate, and address threats to compliance with the fundamental principles.

The Five Fundamental Principles of Ethics

The KEPAP is built upon five non-negotiable principles that every professional accountant must uphold:

1. Integrity: Being straightforward and honest in all professional and business relationships. Integrity implies fair dealing and truthfulness.
2. Objectivity: Ensuring that professional or business judgments are not overridden by bias, conflict of interest, or undue influence of others.
3. Professional Competence and Due Care: Maintaining professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation, and techniques.
4. Confidentiality: Respecting the confidentiality of information acquired as a result of professional and business relationships.
5. Professional Behavior: Complying with relevant laws and regulations and avoiding any conduct that the accountant knows or should know might discredit the profession.

Technical Analysis: The Conceptual Framework Approach

Rather than providing a list of every possible ethical dilemma, the Indonesian Code of Ethics utilizes a **Conceptual Framework**. This approach requires the auditor to be proactive in identifying threats to the fundamental principles. When threats are identified, the auditor must apply safeguards to eliminate them or reduce them to an acceptable level.

Categories of Threats to Ethics

Threat Category	Description	Example Scenario
Self-Interest Threat	The threat that a financial or other interest will inappropriately influence the accountant's judgment or behavior.	The auditor owns shares in the client's company.
Self-Review Threat	The threat that an accountant will not appropriately evaluate the results of a previous judgment made by them.	The auditor performs bookkeeping services and then audits those same records.
Advocacy Threat	The threat that an accountant will promote a client's position to the point that their objectivity is compromised.	The auditor acts as an advocate for the client in a legal dispute.
Familiarity Threat	The threat that due to a long or close relationship, an accountant will be too sympathetic to the interests of others.	The audit partner has been on the same engagement for over 10 years.
Intimidation Threat	The threat that an accountant will be deterred from acting objectively because of actual or perceived pressures.	The client threatens to replace the auditor over a disagreement on accounting treatments.

The Application of Safeguards

Safeguards are actions or measures that effectively reduce threats to an acceptable level. These can be divided into two categories: safeguards created by the profession, legislation, or regulation (such as education and training requirements) and safeguards in the work environment (such as internal peer reviews or rotating senior personnel).

Procedural Workflow for Audit Engagements under SPAP

Executing an audit that complies with both SPAP and the Code of Ethics involves a rigorous, step-by-step technical workflow. This ensures that the final opinion is backed by sufficient and appropriate evidence.

Step 1: Pre-Engagement and Ethical Clearance

Before accepting a new client or continuing an existing relationship, the firm must evaluate its independence. This involves checking for conflicts of interest and ensuring the firm has the necessary **competence** to perform the work. This stage is governed by **SA 210 (Agreeing the Terms of Audit Engagements)**.

Step 2: Risk Assessment (The Heart of the Audit)

Under the modern SPAP, audits are **risk-based**. The auditor must gain a deep understanding of the entity and its environment, including its internal controls. The goal is to identify risks of material misstatement, whether due to error or fraud. This involves mathematical models of materiality, where the auditor sets a threshold (e.g., 5% of pre-tax income) to determine what constitutes a significant error.

Step 3: Response to Assessed Risks

Once risks are identified, the auditor designs substantive procedures and tests of controls. Substantive testing includes **analytical procedures** (comparing current year data to prior years or industry benchmarks) and **tests of details** (vouching transactions to original source documents).

Step 4: Evaluation of Audit Evidence

The auditor must conclude whether the evidence obtained is **sufficient** (quantity) and **appropriate**(quality/

relevance/reliability). If the evidence is insufficient, the auditor must perform additional procedures or consider the impact on the audit opinion.

Step 5: Reporting and Communication

The final stage is the issuance of the **Laporan Auditor Independen (LAI)**. The report must clearly state the auditor's opinion—whether the financial statements present fairly, in all material respects, the financial position of the entity. Communication with Those Charged with Governance (TCWG) is also required under **SA 260**.

Comparison Matrix: Auditing Standards vs. Code of Ethics

While often discussed together, SPAP and the Code of Ethics serve different but complementary functions. The following table highlights their core differences:

Feature	Standar Profesional Akuntan Publik (SPAP)	Kode Etik Akuntan Indonesia (KEPAP)
Primary Focus	Technical execution and methodology of the audit.	Behavioral conduct and moral principles of the practitioner.
Authority	IAPI (Institut Akuntan Publik Indonesia).	IAI, IAPI, and IAMI (Joint Board).
Core Content	Procedures, evidence requirements, and reporting formats.	Fundamental principles and the conceptual framework for threats.
Objective	To ensure the reliability and accuracy of the audit output.	To protect the public interest and maintain professional reputation.
Compliance Basis	Procedural and technical compliance.	Ethical and judgmental compliance.

Practical Implementation: Strengthening Quality Control

For a public accounting firm (KAP), adherence to SPAP requires a robust **System of Quality Management (SoQM)**. This system is designed to provide the firm with reasonable assurance that the firm and its personnel fulfill their responsibilities and perform engagements in accordance with professional standards.

Core Elements of a Quality Management System:

- Governance and Leadership: Creating a culture that recognizes the importance of quality.
- Relevant Ethical Requirements: Monitoring the independence of all staff members annually.
- Acceptance and Continuance: Evaluating whether the firm should take on specific clients.
- Engagement Performance: Ensuring that all audits are properly supervised and reviewed by a second partner (EQR - Engagement Quality Review).
- Monitoring and Remediation: Periodically inspecting completed files to ensure standards were met.

Case Study: Addressing the Familiarity Threat in Long-Term Engagements

Consider a scenario where a lead audit partner has served a major manufacturing client in Jakarta for seven consecutive years. Under the **KEPAP 2020 Section 540**, this creates a significant **familiarity threat**. The auditor may become too trusting of the client's management, leading to a decrease in professional skepticism.

Technical Solution:

To mitigate this threat, the **Public Accountant Act (UU No. 5 Tahun 2011)** and the 2020 Ethics Code mandate **partner rotation**. After a period of seven years, the lead partner must rotate off the engagement for a "cooling-off period" of five consecutive years. This ensures that a "fresh set of eyes" reviews the client's financial statements, thereby maintaining the objectivity required by SPAP.

The Impact of Technology on Auditing Standards

In the digital era, the SPAP is constantly being updated to address the challenges of **Big Data, Artificial Intelligence (AI), and Cloud Accounting**. Auditors are now using **Data Analytics (DA)** to test 100% of a population rather than relying on traditional sampling methods. This shift requires auditors to maintain a high level of **technical competence**, as mandated by the Code of Ethics, to correctly interpret the outputs of automated tools.

Troubleshooting Common Implementation Errors:

1. Failure to Document Professional Skepticism: Auditors often exercise skepticism but fail to document the "how" and "why" in their workpapers. Under SA 230 (Audit Documentation), if it isn't documented, it didn't happen.
2. Misapplication of Materiality: Using a purely mathematical approach without considering qualitative factors (such as the impact of an error on a debt covenant) can lead to inappropriate audit opinions.
3. Inadequate Risk Assessment: Treating the risk assessment as a "checkbox exercise" rather than a deep dive into the business's specific operational risks.

The Evolving Landscape of Professional Responsibility

The interaction between the **Standar Profesional Akuntan Publik** and the **Kode Etik Akuntan Indonesia** forms a protective shield around the Indonesian economy. As the **Kementerian Keuangan (Ministry of Finance)** and the **Pusat Pembinaan Profesi Keuangan (PPPK)**increase their oversight, the expectation for perfection in audit quality and ethical behavior has never been higher.

For the modern auditor, success is no longer defined solely by technical proficiency in accounting but by the ability to navigate complex ethical landscapes while adhering to rigorous procedural standards. The 2020 update to the Code of Ethics and the ongoing convergence with International Standards on Auditing (ISA) ensure that the Indonesian accounting profession remains relevant and respected. By fostering a culture of **integrity, objectivity, and continuous learning**, accountants contribute to a transparent financial ecosystem where stakeholders can make informed decisions based on verified, high-quality data. The commitment to these standards is not just a regulatory burden; it is a professional privilege that upholds the public’s trust in the integrity of the capital markets.

Tags: #SPAP #Kode Etik Akuntan #Auditing Standards Indonesia #IAPI #Public Accounting #Audit Quality