

UNIVERSITI TEKNOLOGI MARA

**IMPLICATIONS ON EXTERNAL AUDIT
PRACTICES RESULTING FROM MATERIAL
MISSTATEMENTS IN INDONESIA**

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A thesis submitted in partial fulfilment
of the requirements for the degree of
Doctor of Philosophy
(Financial Criminology)

Accounting Research Institute

June 2022

ABSTRACT

The inception of Sarbanes Oxley by the United States government was due to the many cases of corporate fraud that affected public accounting firms. Researchers can see the cases experienced by KAP Purwanto, Suherman and Surja, Public Accountant Marlinna and Public Accountant Merliyana Syamsul and Accounting Firm Satrio, Bing, Eny and Partners (SBE) were sanctioned because they were proven to have failed to carry out an audit based on existing procedures. The purpose of this study was to determine what factors could influence the determination of the auditor's Risk Material Misstatement (RMM). There are three main factors that can influence RMM which is the focus of this study, namely government regulatory factors, individual factors and cultural factors. This research is qualitative research and leads to an interpretive paradigm. Sources of data come from interviews with auditors Pricewaterhouse Coopers (PwC), Ernest and Young (EY), Deloitte, KPMG, Doli Bambang Sulistyanto Dadang & Ali (DBSD & A) and regulators namely IAPI and the Financial Services Authority (OJK). The results showed that the factors affect the level of risk of material misstatement are due to government regulatory factors, individual factors and cultural factors. Government regulatory factors that can influence auditors in determining RMM can: 1) encourage an increase in personnel capabilities, 2) increase in skill abilities, and 3) self-awareness of the ability to carry out duties and responsibilities. To increase good cooperation with regulators, it is necessary to hold open discussions from the government and auditors so that the supervisory function can also be carried out properly. Then the individual factors that can influence the determination of the Auditor's RMM include: 1) understanding of culture and governance, 2) determination of risk, 3) potential and human resources owned by the auditor. The determination of government culture in relation to the rules made by the government regarding the performance of auditors must be understood and implemented by the auditors concerned. Then, the determination of risk must be carried out carefully by the auditor even though there is no 100% guarantee that the auditor's work is error free. The competence and human resources possessed by the auditor must then be augmented with competent knowledge and understanding by participating in educational activities conducted by companies or governments. On the other hand, cultural factors in the field of auditing that influence auditors are less critical or profound, contributing factors that do not genuinely accept the distribution. The competence of auditors in determining RMM is still not optimal and standards or lack of supervision. This, shows that increasing the competence of auditors must always be improved by participating in training related to the duties and responsibilities they carry. Standards or supervision must also be improved by examining the performance of auditors in relation to the tasks they have carried out and then making SOPs (Standard Operating Standards) to be used as guidelines for auditors in their work.

ACKNOWLEDGEMENT

Praise to Allah for the completion of this endeavour. This thesis would not have been possible without the guidance and the help of several individuals who in one way or another contributed and extended their valuable assistance in the completion of this study.

First and foremost, my utmost gratitude to my supervisor Professor Dr Nafsiah Mohamed, for your comments and constructive criticisms, from which I gained valuable knowledge and experience. Without your support, I would never have finished this journey. My sincere gratitude also goes to my co-supervisors, Prof Dr Azizah Abdullah and Professor Dr Gugus Irianto for the constructive feedback on my work. Your never-ending support provides me with the encouragement to complete this study.

My appreciation goes to Mr Nur Sigit, Mr. Tarkosunaryo, Mr Theodorus Tuanakotta, Mr. Jusuf Wibisana, Mr. Agung Purwanto, Mr M. Achsin, Mr. Sudarmadji Herry Sutrisno, Mr. Bambang Sulistiyanto who provided the facilities and assistance during the process of interview. Special thanks to my colleagues and friends for helping me with this project.

My gratitude goes to my mother, Mardinah and my mother in law, Intiyah, whose do'a (prayers) made me stronger and to my father, Parno Suwito, thank you so much for aspiring me to become a PhD holder

Finally, this thesis is dedicated to my wonderful wife, Siti Nurilah that patiently accompanies both in joy in difficulty, also dedicated to all my children, Reva, Lutfiyah, Zahro, Malik, Farah and Haikal. Thank you very much for putting up with Papa for so many years, for your love, understanding and prayers. Thank you for providing me the time and space I needed, and for believing in me.

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