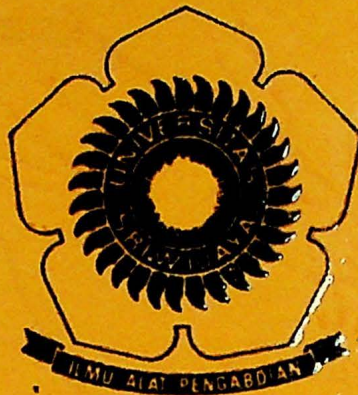


**THE INFLUENCE OF AUDITOR'S PROFESSIONALISM TOWARDS  
MATERIALITY CONSIDERATION IN AUDITING FINANCIAL  
REPORT FOR CPA FIRM IN PALEMBANG CITY**



**SCRIPT BY:  
JANSEN ADIGUNA PUTRA  
NIM 01071003085**

**PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF SARJANA EKONOMI**

**MINISTRY OF NATIONAL EDUCATION  
SRIWIJAYA UNIVERSITY  
ECONOMIC FACULTY  
INDERALAYA**

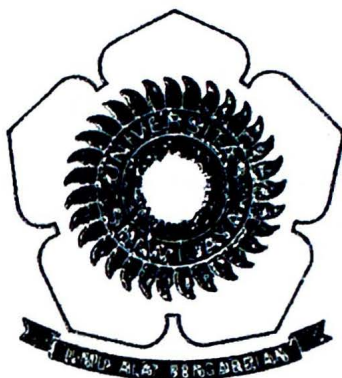
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ECONOMIC FACULTY  
INDERALAYA**

**2011**



**MINISTRY OF NATIONAL EDUCATION  
SRIWIJAYA UNIVERSITY  
ECONOMIC FACULTY  
INDERALAYA**

**APPROVAL OF THESIS**

**NAME : JANSEN ADIGUNA PUTRA  
STUDENT NUMBER : 01071003085  
DEPARTMENT : ACCOUNTING  
SUBJECT : AUDITING  
TITLE OF THESIS : THE INFLUENCE OF AUDITOR'S  
PROFESSIONALISM TOWARDS MATERIALITY  
CONSIDERATION IN AUDITING FINANCIAL  
REPORT FOR CPA FIRM IN PALEMBANG CITY**

**THESIS SUPERVISORS**

**DATE OF APPROVAL**

**THESIS SUPERVISORS**

**Date: August , 2011**

**Head : **

**Dr. Inten Meutia, M.Acc, Ak**

**NIP 196905261994032002**

**Date: August , 2011**

**Member : **

**Emylia Yuniarti, SE, M.Si, Ak**

**NIP 197106021995032002**

**MINISTRY OF NATIONAL EDUCATION  
SRIWIJAYA UNIVERSITY  
ECONOMIC FACULTY  
INDERALAYA**

**APPROVAL OF COMPREHENSIVE EXAM**

NAME : JANSEN ADIGUNA PUTRA  
STUDENT NUMBER : 01071003085  
DEPARTMENT : ACCOUNTING  
SUBJECT : AUDITING  
TITLE OF THESIS : THE INFLUENCE OF AUDITOR'S  
PROFESSIONALISM TOWARDS MATERIALITY  
CONSIDERATION IN AUDITING FINANCIAL  
REPORT FOR CPA FIRM IN PALEMBANG CITY

Has attended a comprehensive exam on July 29, 2011 and has been qualified for admission.

Comprehensive Exam Committee  
Inderalaya, July 29, 2011

Head,



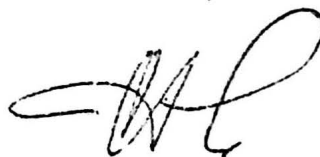
Dr. Inten Meutia, M.Acc, Ak  
NIP 196905261994032002

Member,



Emyilia Yuniarti, SE, M.Si,  
Ak.  
NIP 197106021995032002

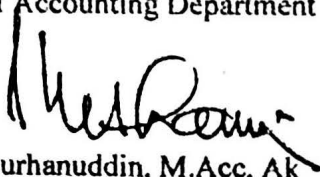
Member,



Muhammad Nasai, SE,  
MAFIS, Ak.  
NIP. 196706081992031004

Aware,

Head of Accounting Department



Drs. Burhanuddin, M.Acc, Ak  
NIP 195808281988101001

## PERNYATAAN KEASLIAN SKRIPSI/TIDAK PLAGIAT

Yang bertanda tangan di bawah ini,

Nama : Jansen Adiguna Putra

Nim : 01071003085

Jurusan : Akuntansi

Fakultas : Ekonomi

Menyatakan dengan sesungguhnya bahwa skripsi saya yang berjudul:

**THE INFLUENCE OF AUDITOR'S PROFESSIONALISM TOWARDS  
MATERIALITY CONSIDERATION IN AUDITING FINANCIAL REPORT  
FOR CPA IN PALEMBANG CITY**

Pembimbing

Ketua : Dr. Inten Meutia, M.Acc, Ak

Anggota : Emylia Yuniarti, SE, M.Si, Ak

Tanggal diuji : 29 Juli 2011

Adalah benar-benar hasil karya saya dibawah bimbingan tim pembimbing.

Isi skripsi ini tidak ada hasil karya orang lain yang saya salin keseluruhan atau sebagian tanpa menyebutkan sumber aslinya.

Demikianlah surat pernyataan ini saya buat dengan sebenar-benarnya dan apabila dikemudian hari ternyata pernyataan saya ini tidak benar, maka saya bersedia menerima sanksi sesuai dengan peraturan, termasuk pembatalan gelar kesarjanaan saya.

Inderalaya, Agustus 2011

Yang member pernyataan,

METERAI  
TEMPEL

D3573AAF000352744

6000

DIP

Jansen Adiguna Putra

NIM 01071003085

*“ Orang - orang gagal yang berani menatap kegagalannya dengan kepala tegak, siap belajar dan berusaha, berusaha dan belajar lagi, bangkit dan bangkit lagi adalah mereka yang telah siap menjadi dewasa dan sukses secara utuh ”*

*(Andrie Wongso)*

*Motto:*

*Jangan meminta hidup lebih mudah.  
Mintalah jadi orang yang lebih kuat.*

*Tribute:*

- *Allah SWT*
- *My beloved Parents*
- *My Siblings*
- *My Soulmate*

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The very first praise and gratefulness is delivered to The Almighty, Allah SWT: The Lord of the worlds, The Greatest Creator and The Best Motivator which with His grace and guidance keeping me tough during my writing, therefore, this script is finally completed. Without Him, we will have no chance to read this complete script.

This script entitled **The Influence of Auditor's Professionalism towards Materiality Consideration in Auditing Financial Report for CPA Firms In Palembang City**. This script is divided into five chapters, consists of Chapter I Introduction, Chapter II Review of Literature, Chapter III Research Method, Chapter IV Research Result and Discussion, and Chapter V Conclusion And Suggestion.

The main data used is primary data gathered from questionnaire delivered to senior auditors, managers and partners who work for CPA firms in Palembang city.

The results showed that the behavior of auditor's professionalism influences the auditor in considering materiality. In considering the materiality for the client's financial report, the auditor is most influenced by the autonomy demand. It is obvious that the auditor needs the freedom in expressing their thought, skill and knowledge to gives professional judgment in considering materiality whoever the client is.

The author realizes that this script is far from perfect, so suggestions and constructive criticism from all parties is expected to further refinement. But still, the author hopes this script can give contribution to the improvement of auditors, to society and as academic input material for auditing research.

Author

Jansen Adiguna Putra

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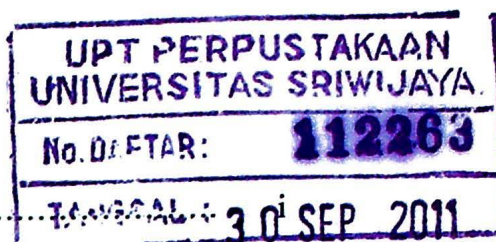
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I hope this little work can be a worthwhile reading. May Allah bless us all.  
Amin Ya Rabbil 'alamin.

Author

Jansen Adiguna Putra

## CONTENTS



TITLE PAGE.....	
APPROVAL OF THESIS.....	ii
APPROVAL OF COMPREHENSIVE EXAM.....	iii
HALAMAN PERNYATAAN KEASLIAN SKRIPSI.....	iv
MOTTO .....	v
PREFACE.....	vi
ACKNOWLEDGEMENTS PAGE.....	vii
CONTENTS.....	x
LIST OF TABLE.....	xii
LIST OF PICTURE.....	xiii
LIST OF APPENDICE.....	xiv
ABSTRAKSI.....	xv
ABSTRACT.....	xvi

### CHAPTER I. INTRODUCTION

I.1 Background.....	1
I.2 Problem Statement.....	7
I.3 Research Objective and Purposes.....	8
I.3.1. Research Objectives.....	8
I.3.2. Research Purposes.....	8
I.4 Systematic of Report.....	9

### CHAPTER II. REVIEW OF LITERATURE

II.1 Fundamental Of Theory.....	11
II.1.1 Auditing and Auditor.....	11
II.1.2. Professionalism Concept.....	14
II.1.3. Materiality.....	19
II.2 The Relationship Between Professionalism and Materiality....	22
II.3. Previous Study.....	23
II.4. Theoretical Framework.....	24
II.5. Hypothesis .....	27

## CHAPTER III. RESEARCH METHOD

III.1	Scope.....	28
III.2	Research Design.....	28
III.3	Population .....	28
III.4	Data Collection Method.....	30
III.5	Research Instruments.....	31
III.6	Operational Definition.....	32
III.6.1	Auditor's Professionalism.....	32
III.6.2	Materiality Consideration.....	35
III.7	Data Analysis Method.....	35
III.7.1	Multiple Linier Regression.....	36
III.7.2	Classical Assumption Testing.....	37
III.7.3	Hypotheses Testing.....	39

## CHAPTER IV. RESEARCH RESULT AND DISCUSSION

IV.1	General Description of Object.....	41
IV.2	Description of Respondent.....	42
IV.3	Regression Analysis.....	44
IV.3.1	Hypotheses Testing.....	47
IV.3.2	Classical Assumption Testing.....	51
IV.4	Discussion.....	56

## CHAPTER V. CONCLUSION AND SUGGESTIONS

V.1	Conclusion.....	61
V.2	Limitation and Suggestions.....	62
V.3	Implication.....	63

REFERENCES.....	64
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## APPENDICE



## LIST OF TABLES

Table II.1	Selected Duties and Responsibilities of Audit Team Member..	13
Table III.1	CPA Firms In Palembang City.....	29
Table III.2	Weight Value (Score) of Questionnaire.....	36
Table IV.1	Questionnaire Distributed and Accepted.....	43
Table IV.2	Profile of Auditor in CPA Firm Palembang.....	44
Table IV.3.1	Result of Regression Analysis.....	45
Table IV.3.2	Result of Regression Analysis.....	45
Table IV.4	Anova Result.....	47
Table IV.5	One Sample Kolmogorov-Smirnov test.....	53
Table IV.6	Skewness and Kurtosis Result.....	54
Table IV.7	Result of Multicollinearity Testing.....	55
Table IV.8	Result of Heteroscedastic Testing.....	56

## LIST OF PICTURE

Picture II.1	Theoretical Framework.....	27
Picture IV.1	Result of Normal Assumption Testing with Histogram.....	52
Picture IV.2	Result of Normal Assumption Testing with P Plot.....	52
Picture IV.3	Scatter Plot of Heterocedastic Testing Result.....	55

## LIST OF APPENDICES

Appendix	Kuisoner
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# **Pengaruh Professionalisme Auditor terhadap Pertimbangan Materialitas dalam Pengauditan Laporan Keuangan pada Kantor Akuntan Publik di Kota Palembang**

## **ABSTRAKSI**

Penelitian ini bertujuan untuk menentukan secara empiris dan secara parsial pengaruh dari dedikasi pada profesi, kewajiban sosial, kebutuhan akan kemandirian, keyakinan atas peraturan profesi, hubungan dengan sesama profesional terhadap pertimbangan materialitas.

Hasil penelitian menunjukkan bahwa secara empiris ataupun secara simultan, dedikasi pada profesi, kewajiban sosial, kebutuhan akan kemandirian, keyakinan atas peraturan profesi, hubungan dengan sesama profesional memiliki pengaruh terhadap pertimbangan materialitas. Tetapi secara parsial, hanya variabel kewajiban sosial yang tidak memiliki pengaruh yang signifikan terhadap pertimbangan materialitas. Variabel- variabel independen secara bersama- sama berkontribusi terhadap variabel dependen sebesar 77,2% sementara sisanya sebesar 22,8% dipengaruhi oleh faktor lain diluar model. Kontribusi tiap variabel independen (secara parsial) terhadap variabel dependen; variabel dedikasi pada profesi sebesar 19,36%, kewajiban sosial sebesar 1,21%, kebutuhan akan kemandirian sebesar 12,96%, keyakinan atas peraturan profesi sebesar 19,09% dan hubungan dengan sesama profesional sebesar 18,4%.

Untuk kasus di kota Palembang, dalam mempertimbangkan materialitas atas laporan keuangan klien, profesionalisme auditor mempengaruhi auditor dalam pertimbangan materialitas.

**Kata Kunci : Profesionalisme Auditor, Pertimbangan Materialitas**



# **The Influence of Auditor's Professionalism towards Materiality Consideration in Auditing Financial Report for CPA Firms In Palembang City**

## **ABSTRACT**

The objective of this research is to determine empirically and partially the influence of dedication to profession, social obligations, autonomy demands, belief in self regulation, professional community affiliation toward materiality consideration.

Results shown that, as empirically or simultaneously, the dedication to profession, social obligations, autonomy demands, belief in self regulation, professional community affiliation have influence toward materiality consideration. But as partially, only variable social obligation which has no significant influence towards materiality consideration. That independent variables jointly contribute to dependent variable in the amount of 77,2% whereas the remaining 22,8% are influenced by other factors outside the model. The contribution of each independent variables (partially) toward dependent variable; variable dedication to profession as much as 19,36%, social obligation of 1,21%, autonomy demands of 12,96%, belief in self regulation of 19,09% and professional community affiliation of 18,4%.

For the case in Palembang city, in considering the materiality for client's financial report, the auditor's professionalism influences the auditor in the materiality consideration.

**Key Words : Auditor's Professionalism, Materiality Consideration**

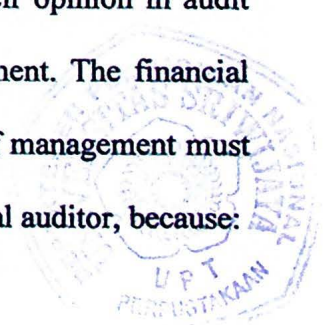
# **CHAPTER I**

## **INTRODUCTION**

### **I.1 Background**

In this globalization era, there are changes and development in the global business environment. An accountant profession has very much influence and its association with the complexity of business world that moving very fast. Along with these developments, financial scandals are also getting a lot happening. Impact of global crisis in the world were resulting the need of public accountant profession, because of many companies require the service of public accountant for the purpose of restructuring, mergers, acquisitions and liquidations. This condition raises the higher demand for high quality standard of audit quality. Public confidence in the quality of public accountant services will be higher, if the profession applies high quality standards for the implementation of professional works performed by members of the profession. Therefore requires high professionalism of each member of the profession in carrying out their duties. Professionalism is a must for an external auditor.

Audit is a professional services performed by the certified public accountant firm and conducted by an auditor of its nature as a service. In doing their duties, auditors aimed to find objective evidences so they can issue their opinion in audit report that contain an assessment of fairness of financial statement. The financial statements prepared by the Management and the responsibility of management must be audited by an independent third party, in this case is the external auditor, because:



- a) There is different interest between company management and company's outside parties that required the reliable third party.
- b) There is possibility that the financial statement prepared contains of either an intentional misstatement or not.
- c) Audited financial statements and received unqualified opinion is expected by the users of financial statements could convinced them that those statements are protected from material misstatement and prepared in accordance with general accepted accounting principle.

For case example, it was about July 2010, the financial statement of Bakrie Group that already audited by auditor, contained material misstatement. There was a difference in recording the fund saving of the group in *PT Bank Capital Indonesia Tbk*. According to the chairman of BAPEPAM- LK A. Fuad Rahmany there was difference about 7 billion between the financial report of Bakrie Grup and PT Bank Capital Indonesia Tbk ([bataviase.co.id](http://bataviase.co.id)). The auditor should have found the material misstatement because it is the responsibility of auditor to reveal the material misstatement to the user of financial statement. And then, ex-ministry of finance, Sri Mulyani Indrawati, since the beginning of september 2009 had given business license suspension sanction to three public accountant and five CPA Firm. Department of Finance in the announcement received in Jakarta, Friday, said that, the business license suspension is given in accordance with Peraturan Menteri Keuangan No. 17/PMK.01/2008 about the service of public accountant. One of the public accountant sanctioned was Drs. Hans Burhanuddin Makarao. He was given the sanction because he did not fully comply with the SA-SPAP in the implementation of a general audit of the financial statements of PT Samcon for fiscal year 2008, which was considered potentially significant influence on the independent auditors' report

(www.okezone.com). This case should not be happened if the auditor can conduct the professionalism in the auditing process. Other case happened was the case of Century Bank, it did deviation towards the financial statement issued. The financial statement issued by Century Bank that considered misleading contained many material misstatements. The roles of auditors were really needed here to examine the financial statement. The audit result from BPK about Century Bank were considered misleading because investigation audit of *Badan Pemeriksa Keuangan* contained "sin" of LPS (*Lembaga Penjamin Simpanan*) that not officially set the measurement of cost estimation for Century Bank overall handling. It may appeared because there material fact information removal or false statement of material facts. (www.antara.co.id)

Auditor consideration about materiality is a professional policy matter and influenced by auditor perception about reasonable needs from financial statement. Misstatement in the financial statement can be considered as material if the misstatement can influence the decision taken by the users of the financial statement or the decision makers (Arens,2004 : 79).

If we refer to the definition from Arens, which stated that auditor's consideration about materiality is influenced by auditor's perception, so we can say that different circumstances will create different materiality consideration which depend on the circumstances, auditor's perception and still it is a professionals matter.

Materiality is a relative rather than absolute concept. A misstatement with certain amount could be material for small company, otherwise with the same amount above could be immaterial for big company. So it is not possible to determine the nominal reference value for initial consideration of materiality that



could be applied for any clients. And it is difficult, if not impossible, to assess what is material to the diverse groups of users (such as investors, creditor, employees, and government agencies) that rely on financial statements. For instance, how the auditors determine the materiality for big / small profit companies, or how the auditors determine the materiality for non-profit company, or for service companies or for the activities held by society that funded by the government such as PNPM Mandiri and etc would create different consideration. And also, for companies in the same business line, for example for non-profit companies, how the auditor determine the materiality when the circumstance for each company is different, each of these consideration will be influenced by auditor's perception about reasonable needs from financial statement and it needs professionalism.

The level of materiality determined by auditors has its role in the result of audit. Materiality determination helps auditors plan the sufficient evidences to be collected in the audit process. If the auditors determined the amount too low, then it needs more evidence to be collected.

The other reason why the auditors should be considering the materiality estimation in the planning stage well because the auditors must be able to determine how much rupiah materiality of the financial statement of the client is. If the auditors in determining the amount of rupiah materiality is too low, the auditor will consume time and effort is actually not needed, so it will create problems that will harm themselves or certified public accountant firm where he works, due to the inefficient use of time and effort by the auditor to determine the amount of the materiality of a client's financial statements. Conversely, if the auditor determines the amount was too high materiality, the auditor would ignore a significant misstatement so he gave unqualified opinion for actual financial statement contains material misstatement,

which will cause problems that can be public distrust toward the certified public accountant firm where the auditor works due to the a careless opinion on the financial statement contains material misstatement (Mulyadi,2002 : 161).

This study raised the issue that the external auditors who have high professionalism views will give reliable contribution to those decision makers. Picture of someone who professional in the external auditor profession reflected in five dimension by Hall R (Syahrir,2002 : 7), namely dedication to the profession, social obligations, autonomy demands, belief in self- regulation, professional community affiliation. Dedication to the profession is reflected through a professional dedication to use the knowledge and skills possessed. This attitude is related to the expression of a whole outpouring of self to the job and it is already a strong personal commitment, so the main compensation expected from the work is spiritual satisfaction and then the material. Social obligation is an awareness attitude of the auditor for the continuation of the profession and the services rendered, professional accounting is taking responsibility to the clients, society, colleagues and to himself which will foster the morals to do the best job possible. The autonomy demand is a view of a professional who must be able to make their own decisions without any intervention from other parties or any other parties who have interest to the audit result. Beliefs in self- regulation is a belief that the most competent in assessing the professional work is colleague with the same profession, not the outsiders who have no competence in the field of science and in their work. Profession community affiliation is using the profession affiliation as references, including formal organizations and informal groups of colleagues as the source of the main ideas of work. In order to fulfill its role which need big responsibility, auditors must have wide knowledge and professionalism attitude as external auditors.

In the context of some financial scandals above and because of materiality itself is a relative concept which professional policy matter, it appears question whether those manipulation tricks are able to be detected by the auditors who audit the financial statement or actually it is already detected but they precisely pacify those crime acts. Of course if what happened is that the auditors could not detect those manipulation tricks, so thing that became the core of the problem is the quality of audit resulted by auditors in the form of audit report that contained the fairness or unfairness of the financial statement. But if what happened is that the auditors precisely pacify those manipulation tricks, so thing that became the core of problem is the professionalism of the auditors. Related to this context, the questions arise about to what extent the professionalism of auditors and whether it is influence the materiality in the financial audit.

The research about auditor's professionalism had already done by Theresia (2003) before. But most of the objects or the respondents of that research are apprentice auditor workers and junior auditors. Comparing to the previous one, this research is different. In this research, the author is giving more focus on the object of research, the author put forward on senior auditor, manager and partner as the respondent or the object of research. Because author beliefs that the object of the research that would be relevant in measuring the auditor who considering materiality in the financial audit are starting from level senior auditor, manager and partner.

With good professionalism, an auditor is expected to conduct the audit well even though the extrinsic reward reduced and without other parties intervention in making decision, and always do mind sharing with colleague also assumed that the authorities to assess his work is colleague in the same profession so with high professionalism, the ability to considering the materiality will become better.

Based on the description above, the author is interested in conducting study about **“THE INFLUENCE OF AUDITOR’S PROFESSIONALISM TOWARDS MATERIALITY CONSIDERATION IN AUDITING FINANCIAL REPORT FOR CPA IN PALEMBANG CITY”**

## **I.2 Problem Statement**

Based on previous study conducted by Hastuti et al (2003) using a variables that were developed by Hall R (Syahrir;2002 : 7), professionalism consists of five dimensions, namely dedication to profession, social obligations, autonomy demands, belief in self- regulation, professional community affiliation. People who always keep the professionalism are able to work seriously and independently and making decision by what they found in the fieldwork, without any intervention by other party. And besides, professionals are able to provide reliable information for the users of financial statement.

Based on the above, the authors in this study formulate a research problem as follows:

Does the dimension of auditor’s professionalism which consists of dedication to the profession, social obligations, autonomy demands, belief in self- regulation and professional community affiliation have any influence toward materiality consideration?



### **I.3 Research Objectives and Purposes**

#### **I.3.1 Research Objectives**

Objectives to be achieved in this research are:

1. To determine empirically the influence of dedication to the profession, social obligations, autonomy demands, belief in self- regulation, professional community affiliation toward materiality consideration.
2. To determine partially the influence of dedication to the profession, social obligations, autonomy demands, belief in self- regulation, professional community affiliation toward materiality consideration.

#### **I.3.2 Research Purposes**

Purposes of this research are:

##### **1. Practical Benefits**

For practitioners of audit and or auditors, this research is expected to give contribution of thought and to help auditor in audit planning for client's financial statement, so with the understanding of the importance of considering materiality of the financial statement and the importance of being professional in doing the job, the external auditors could improve their performance as well as the public trust and as the consideration to make better thought in determining materiality.

##### **2. Theoretical Benefits**

For research and academic world, this research is expected to be contribution of empirical data for the development of science especially

economics and auditing and also as source of information for students in taking further research on professionalism and materiality.

### 3. Policy Matter Benefits

For policy and decision makers, they could get trust to auditors to keep using the audit service, especially for auditor of CPA Firms in Palembang city.

## I.4 Systematic of Report

To be able to give a clear illustration and direction of the discussions that the author intended, then the author divide the discussion of this script into 5 (five) chapters, where each chapter is divided into several sub chapters with systematic as follows :

### **CHPATER I : INTRODUCTION**

In this chapter will be described about the background, problem formulation, and objective and purposes of research

### **CHAPTER II : REVIEW OF LITERATURE**

In this chapter will describe the understanding of materiality, the understanding of professionalism

### **CHAPTER III : RESEARCH METHOD**

In this chapter will be elaborated about the research design, namely research object, research scope, data and data collection method, sample and population and data analysis method

## **CHAPTER IV**

## **: ANALYSIS AND DISCUSSION**

This chapter will present the result of the data description and discuss the description result of research undertaken

## **CHAPTER V**

## **: CONCLUSION AND SUGGESTION**

This chapter is the closing chapter of this paper, which outlines the conclusion of CHAPTER IV and limitation of this study and suggestions who might be useful for further research

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