

The Role of Professional Ethics of Auditors in Maintaining the Credibility of Financial Statements and Public Trust

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Abstract

Professional ethics of auditors are the main foundation in maintaining the quality of audits and the credibility of financial statements. Financial statements used as the basis for economic decision-making require an objective, independent, and integrity audit process. This article aims to analyze the ethical role of the auditor profession in maintaining public confidence in financial statements. The methods used are literature studies on auditing textbooks, professional codes of ethics (KEPAP and IESBA), Professional Standards for Public Accountants (SPAP), as well as cases of auditor ethics violations in Indonesia and internationally. The results of the study show that integrity, independence, professional competence, and professional skepticism are the main ethical principles that have a significant effect on audit quality and the level of public trust. Strengthening ethical culture, regulatory supervision, and continuous professional education are important strategies in maintaining the credibility of the auditor profession.

Keywords: auditor professional ethics, audit quality, public trust, financial statements

I. INTRODUCTION

Financial statements are the main means for stakeholders to assess the performance, financial position, and prospects of an entity. Therefore, the reliability of financial statements is a crucial factor in economic decision-making. To ensure this reliability, the role of an independent auditor is needed to provide an opinion on the fairness of the presentation of financial statements.

The presentation of financial statements is an obligation for companies, especially companies that go public, as a form of accountability to the board of commissioners and shareholders. In addition to being an accounting document, financial statements are also the basis for investors' decision-making in determining their investments, so the accuracy and reliability of these reports are very important. (Rosyid1, 2024)

However, the credibility of the audit opinion is not only determined by the auditor's technical competence, but also by the application of professional ethics. Violations of auditor ethics can have a direct impact on the decline of public confidence in financial statements and the

public accounting profession as a whole. Various cases such as the Enron scandal involving Arthur Andersen and the PT Garuda Indonesia case in 2018 show that failure to maintain professional ethics can damage auditors' reputations and cause losses of public trust.

From an ethical perspective, auditors are expected to remain objective and free from external influences, as well as consider the social impact of the

financial statements they audit. Accurate reporting not only impacts the company but also society and the economy. The application of ethics in accounting is more than just adhering to professional standards; It is also related to the social responsibility of accountants. (Andi Hanifah Nurhikmah, 2023)

The Code of Ethics for the Public Accountants (KEPAP) and the International Code of Ethics for Professional Accountants (IESBA) affirm basic principles such as integrity, objectivity, independence, and professional competence as the basis of auditor behavior. The application of these ethical principles is the key to maintaining the quality of audits and public trust. Therefore, this article discusses the ethical role of the auditor profession in maintaining the credibility of financial statements and their implications for public trust. (Liana Oly Kisantoa, 2025).

Financial statements represent a form of management accountability to stakeholders by providing information regarding an entity's financial position, performance, and cash flows. The credibility of financial statements depends on qualitative characteristics such as relevance, reliability, comparability, and understandability, which must be achieved through compliance with applicable accounting standards (Dirvi Surya Abbas, 2021). In this context, auditors play a strategic role in maintaining transparency and accountability by providing independent and objective audit opinions. Auditors are not only responsible for technical audit procedures but also carry a moral responsibility to protect the public interest by detecting and disclosing

material misstatements, preventing fraud, and ensuring the integrity of financial reporting. Professionalism and independence are therefore essential attributes that enable auditors and accountants to maintain public trust, particularly in public companies and state-owned enterprises (Rosyid et al., 2024; Nurhikmah & Sisdianto, 2024).

Professional ethics serve as the fundamental guideline governing auditors' and accountants' behavior in carrying out their professional responsibilities, encompassing principles such as integrity, objectivity, professional competence, due care, confidentiality, and professional conduct. Compliance with professional ethical standards has a significant influence on audit quality, as auditors with high ethical awareness are more capable of maintaining professional skepticism and independence throughout the audit process (Feronica Susanna salim, 2024). Conversely, ethical violations may lead to manipulation of financial statements, reduced audit quality, and damage to the reputation of the accounting profession. Professionalism, supported by integrity and ethical commitment, is therefore crucial for accountants in ensuring reliable financial reporting, making ethical decisions, and avoiding conflicts of interest, thereby strengthening public confidence in financial statements and the accounting profession as a whole (Liana Oly Kisanto et al., 2025; Hakim Hayati et al., 2020).

II. RESEARCH METHODOLOGY

This study employs a qualitative research approach using a literature review method. The literature study is considered appropriate because this research aims to conceptually analyze the role of auditor professional ethics in maintaining the credibility of financial statements and public trust, based on existing theories, standards, and empirical findings.

The research methodology is carried out through several systematic stages as follows:

A. Identification of Research Issues

The initial stage involves identifying key issues related to auditor professional ethics, audit quality, and public trust. This stage is conducted by reviewing current phenomena, ethical violation cases involving auditors, and gaps found in previous studies regarding the implementation of professional ethics in auditing practices.

B. Collection of Relevant Literature

The next stage is collecting relevant and credible literature sources. The data used in this study are secondary data obtained from:

1. Auditing textbooks and academic references;
2. Codes of Ethics for Professional Accountants, including the Code of Ethics for Public Accountants (KEPAP) and the International

- Code of Ethics for Professional Accountants (IESBA);
3. Professional Standards for Public Accountants (SPAP);
4. Scientific journal articles and prior research related to auditor ethics, audit quality, and public trust;
5. Case studies of auditor ethics violations in Indonesia and at the international level.

C. Literature Selection and Classification

The collected literature is then selected based on relevance to the research objectives. The selected sources are classified according to key themes such as integrity, objectivity, independence, professional competence, professional skepticism, audit quality, and public trust.

D. Data Analysis Technique

Data analysis is conducted using a descriptive and analytical approach. Each literature source is reviewed to identify arguments, findings, and conclusions related to the role of auditor professional ethics. Furthermore, ethical principles are analyzed in relation to their impact on audit quality and the credibility of financial statements.

E. Case Analysis of Ethical Violations

In addition to theoretical analysis, this study also examines several cases of auditor ethics violations, both nationally and internationally. These cases are analyzed to understand the consequences of ethical failures on public trust and the credibility of the auditor profession.

F. Synthesis and Conclusion Drawing

The final stage involves synthesizing the results of the literature review and case analysis to draw conclusions regarding the role of professional ethics in auditing. This synthesis is used to formulate findings, discussions, conclusions, and recommendations relevant to strengthening ethical practices in the auditor profession.

Through these stages, this research is expected to provide a comprehensive understanding of how auditor professional ethics contribute to maintaining audit quality, financial statement credibility, and public trust.

III. RESULTS AND DISCUSSION

A. Results

Based on the results of a literature review that includes auditing textbooks, auditor professional code of ethics, Public Accountant Professional Standards (SPAP), and analysis of a number of cases of auditor ethics violations, several key findings were obtained that are relevant to the role of professional ethics in maintaining the credibility of financial statements. The first findings show that the ethics of the auditor profession are a fundamental element in ensuring audit quality. Ethical principles such as integrity, objectivity, independence, and professional competence are consistently identified as determining

factors in producing reliable and trustworthy audit opinions.

The second finding revealed that the application of professional independence and skepticism has a significant influence on auditors' ability to detect material misrepresentations and potential fraud. Auditors who are able to maintain their independence tend to be more objective in assessing audit evidence, while auditors whose independence is compromised risk producing audit opinions that do not fully reflect the actual financial condition of the entity.

Furthermore, the results of the analysis of cases of auditor ethics violations, including the case of PT Garuda Indonesia in 2018, show that violations of professional ethical principles have a direct impact on the decline in the level of public trust. Giving a fair opinion on financial statements that are not prepared in accordance with accounting standards not only leads to sanctions from regulators, but also damages the reputation of the auditors and the Public Accounting Firms involved, as well as tarnishing the image of the public accounting profession at large.

The fourth finding shows that the literature in general emphasizes the importance of strengthening the ethics of the auditor profession as an effort to maintain the credibility of the profession. Such strengthening can be done through continuous professional education, increased effectiveness of supervision by regulators, and the establishment of a strong ethical culture within the Public Accounting Firm. These efforts are considered to be able to encourage auditors to carry out their professional duties consistently in accordance with applicable ethical standards and values.

B. Discussion

The findings of the research in the results section show that the ethics of the auditor profession have a central role in maintaining the quality of audits and the credibility of financial statements. These results are in line with the research of Farida (2021) which states that the application of auditor ethics has a significant effect on audit quality through increased professional skepticism. This confirms that professional ethics not only serve as normative guidelines, but also as a moral foundation that determines how auditors carry out their professional responsibilities to the public. Auditors who adhere to ethical principles tend to be able to produce objective and informative audit opinions for stakeholders.

The principles of integrity and objectivity identified in the research results are the main basis in building the reliability of audit opinions. Integrity encourages auditors to be honest and consistent in

assessing the fairness of financial statements, while objectivity allows auditors to make professional judgments without being influenced by personal interests or pressure from the client. When these two principles are applied consistently, audited financial statements will have a higher level of credibility in the eyes of the public.

The independence of the auditor has also proven to be a crucial factor in the audit process. The results of the study show that weakening independence can reduce audit quality and increase the risk of failure to disclose material misrepresentations. Too close a relationship between the auditor and the client has the potential to create a conflict of interest that affects the auditor's objectivity. Therefore, the policy of auditor rotation and the restriction of non-audit services are important instruments to maintain independence and strengthen public trust in the auditor profession.

In addition to independence, professional skepticism plays an important role in improving audit effectiveness. Auditors who apply professional skepticism will be more critical in evaluating audit evidence and will not easily accept management statements without adequate testing. This attitude is in line with the provisions in the Professional Standards for Public Accountants which emphasize the need for professional vigilance throughout the audit process, especially in the face of the risk of fraud and material misrepresentation.

Cases of violations of auditor ethics, such as those that occurred at PT Garuda Indonesia, show the consequences of failure to apply the principles of professional ethics. Providing an audit opinion that is not in accordance with the actual financial condition not only has an impact on the audited entity, but also lowers public confidence in the public accounting profession as a whole. This shows that public trust is a very vulnerable asset and highly depends on the consistency of auditors in upholding professional ethics.

Furthermore, the results of this study emphasize the importance of continuous efforts in strengthening the ethics of the auditor profession. Continuous professional education, the implementation of an effective quality control system in Public Accounting Firms, and consistent supervision from regulators are strategic steps to minimize ethical violations. The formation of an ethical culture in audit organizations is also a supporting factor in ensuring that professional ethics are not only understood as an individual obligation, but as a collective commitment in maintaining the credibility of the profession.

Overall, this discussion emphasizes that the application of auditor professional ethics has broad implications for audit quality and public trust. Consistency in upholding ethical principles is the main key in maintaining the legitimacy of the auditor profession amid increasing demands for transparency and accountability in financial statements.

IV. CONCLUSION

Professional ethics of auditors have a very important role in maintaining the quality of audits and the credibility of financial statements. Ethical principles such as integrity, objectivity, independence, and professional competence are the main foundations in building public trust in audit results. Violations of auditor ethics have been proven to damage the reputation of the profession and reduce public trust in financial statements.

Therefore, strengthening professional ethics through continuous professional education, effective regulatory supervision, and the formation of an ethical culture in Public Accounting Firms is a strategic step to maintain the credibility and sustainability of the auditor profession. Violations of the ethics of the auditor profession can have a significant negative impact, not only on the audited entity, but also on the reputation of the public accountant profession as a whole. Cases of auditor violations, such as the one that happened to PT Garuda Indonesia, are evidence that the weak application of professional ethics can reduce the credibility of financial statements and damage public trust. Therefore, strengthening the ethics of the auditor profession is an urgent and sustainable need. These efforts can be made through the improvement of continuous professional education, consistent supervision from regulators, and the formation of a strong ethical culture within the public accounting firm.

Thus, the ethics of the auditor profession not only function as a normative guideline, but also as a moral foundation in maintaining legitimacy, credibility, and sustainability. The auditor profession is in the midst of increasing demands for transparency and accountability.

V. RECOMMENDATIONS

Based on the results and discussion in this article, auditors are expected to increase their commitment to the application of professional ethics, especially in maintaining integrity, objectivity, independence, and professional skepticism during the audit process. Improving competence through continuous professional education is also important so that auditors are able to deal with the development of financial report complexity and the potential for fraud.

Public Accounting Firms are advised to strengthen the ethical culture of the organization

through the implementation of a quality control system, audit partner rotation policy, and a clear reward and punishment mechanism. In addition, the provision of a safe and independent whistleblowing system needs to be optimized to prevent and detect ethical violations early. Regulators, such as the Financial Services Authority and the Ministry of Finance, are expected to improve the effectiveness of supervision of audit practices by conducting regular inspections and applying strict and consistent sanctions against violations of auditor professional ethics.

Transparency in the publication of sanctions is also needed to provide a deterrent effect and increase public trust. For future researchers, it is recommended to conduct empirical research using primary or secondary data to quantitatively test the relationship between auditor professional ethics, audit quality, and the level of public trust, so that the results of the study can make a more comprehensive contribution to the development of accounting and auditing science.

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